





## INTERNATIONAL NEWS

Four suspended amid allegations of manipulation of Treasury securities purchases

## Salomon admits bond market irregularities

By Patrick Harverson in New York

MONTHS of speculation on Wall Street about alleged manipulation of the US government bond markets ended yesterday when Salomon Brothers, the leading securities house, announced it had suspended four employees after uncovering "irregularities and rule violations" in recent bids its bond department had submitted for Treasury securities.

The suspensions follow investigations by the Securities and Exchange Commission, and the US Justice Department into allegations that several times in the past year a Wall Street bond dealer had illegally cornered a large part of the market in newly-issued govern-

ment bonds. The investigations were sparked by complaints in May from dealers and institutional investors that they had been forced to pay excessively high prices because one dealer had acquired a large portion of the new issue.

US Treasury rules forbid any one dealer or investor from acquiring more than 35 per cent of an issue. Salomon went some way to justifying those complaints yesterday when it revealed that in the December 1990 auction of four-year notes and the February 1991 auction of five-year notes, it exceeded the 35 per cent limit after it bought securities in the names of cus-

tomers, without their authorisation.

The securities house also admitted that during last May's auction of two-year Treasury notes, "due to an apparent oversight", it failed to disclose that it had exceeded the limit on the number of securities it could bid for in the pre-auction market. As a result, Salomon says it may have ended up with more than 35 per cent when the May two-year issue was eventually sold.

Salomon said that after an internal investigation it had suspended two managing directors in its Treasury securities trading desk and two other employees involved in bond trading. Salomon refused to

name the four.

The company has appointed Mr John Meriwether, vice chairman of Salomon, to assume responsibility for running the government bond department. The decision to give Mr Meriwether, one of the most senior and respected members of Salomon's management, control of the bond department, and the suspension of two managing directors, is an indication of how seriously the alleged manipulation of Treasury bids is being taken by the company.

In the US government bond markets, Salomon is one of the biggest and most influential of the 40 primary dealers allowed to buy Treasury securities

direct from the Federal Reserve Bank of New York. Any discovery that it had manipulated the bidding process would be a serious blow to its reputation.

The controversy may lead to changes in the way Treasury auctions are regulated. When allegations of manipulation were first made in May, Mr Robert Glauber, a Treasury department under-secretary, said that if evidence was found that participants hoarded large amounts of securities, modifications to the rules might have to be considered.

Salomon said it had reported the violations to the regulatory authorities and would co-operate with their investigations.

## Lithuania arms fund to bolster frontiers

LITHUANIA announced the creation of an "arms fund" yesterday, collecting weapons, ammunition and explosives to bolster its frontiers following a bloody attack on a border post that killed seven guards, Reuters reports from Moscow.

The announcement, printed in Vilnius newspapers, reflected growing unease in Lithuania over how to proceed toward the independence it declared from the Soviet Union 18 months ago.

President Vytautas Landsbergis and other leading political figures have suggested the republic might have to resort to weapons to achieve its aims. The fund calls for gathering all legally registered weapons in response to the actions of the "OMON and other repressive structures".

Most Lithuanians hold the elite OMON units of the Soviet Interior Ministry responsible for the July 31 attack on the border post at Medininkai. Soviet authorities were yesterday locked in negotiations to prevent a strike by air traffic controllers who threatened to close down Soviet air space from today, writes Leyla Boulton in Moscow.

## Romanians set stage for ambitious privatisation

By Judy Dempsey

AN AMBITIOUS law on privatisation, to be promulgated on Monday by Romania's President Ion Iliescu, will pave the way for sale of the country's state-owned enterprises.

Passed by both houses of parliament this week, despite months of opposition to the government of Mr Petre Roman, the law gives liberals the green light to press ahead with related economic reforms. The privatisation law, drawn up with the aid of experts from Coopers and Lybrand, the UK-based accountancy firm, and Shearman and Sterling, the law firm, differs considerably from others adopted in Poland, Hungary and Czechoslovakia where privatisation was more piecemeal.

Except for utilities, the law transfers all state property into commercial companies, which will be held in five Private Ownership Funds or mutual funds.

These will hold 30 per cent of the capital of the commercial enterprises and will be exclusively set aside for Romanians. The remaining 70 per cent will be held in a State Ownership Fund, earmarked for foreign investors.

Officials said yesterday the

scheme, which will take between six months and a year to set up, was designed to privatise one in 10 enterprises each year.

Under the law, 30 per cent of the capital of each commercial company will be transferred free to Romanian citizens through the five Private Ownership Funds.

Each citizen will be given a certificate in each fund to ensure, at least initially, an equitable distribution. Citizens will be given free a certificate of ownership in each of the funds, explained an adviser to Mr Adrian Severin, minister for privatisation, and one of the scheme's main architects. "The funds will compete with each other, and will contain a mixed bag of good and bad companies, so that no citizen will be at a disadvantage," the adviser added.

The fund shares will be tradable. "Their value will be established by the market place," explained the adviser. The holders will be free to sell or buy shares in companies of their own choice and in the funds of their own choice. A broker system will be set up to advise and facilitate the exchange of certificates.

Until the system is functioning, officials said foreign investors would be allowed to buy 100 per cent of commercial companies and repatriate profits in lei, the local currency, and hard currency. Under a law passed last April, profits in lei of up to 15 per cent of the investor's paid-in contribution to the capital of the commercial company could be repatriated at the official exchange rate (\$1=60 lei) and the remainder at the current auction rate, the equivalent of the black market rate (150-200 lei to the dollar).

An official yesterday said a devaluation of the lei, designed to wipe out the black market, was likely in the near future.

"We have put aside 30 per cent of the capital for Romanians because there is no capital/savings in the country. In addition, we had to take into account the opposition, and fears among the population that any privatisation law would mean selling out the country to foreigners," a Romanian official said.

An official insisted any revenue raised through privatisation would not be passed to the state budget, but would be held in escrow, a trust account.

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## Walesa acts in Polish bank scandal

PRESIDENT Lech Walesa yesterday demanded the removal of the head of Poland's central bank amid the country's biggest banking scandal, Reuters reports from Warsaw.

The official news agency PAP said President Walesa wanted the Sejm (parliament's lower house) to sack Mr Grzegorz Wroblewski as president of the National Bank of Poland for "lack of sufficient supervision".

The central bank's number two official, Wojciech Prokop, was one of seven people arrested and accused of large-scale mismanagement of state funds. A senior official said Mr Prokop had been arrested earlier this week.

Mr Prokop was until February first deputy president of Poland's biggest savings bank PKO BP, whose current deputy chief and a junior manager are also under arrest.

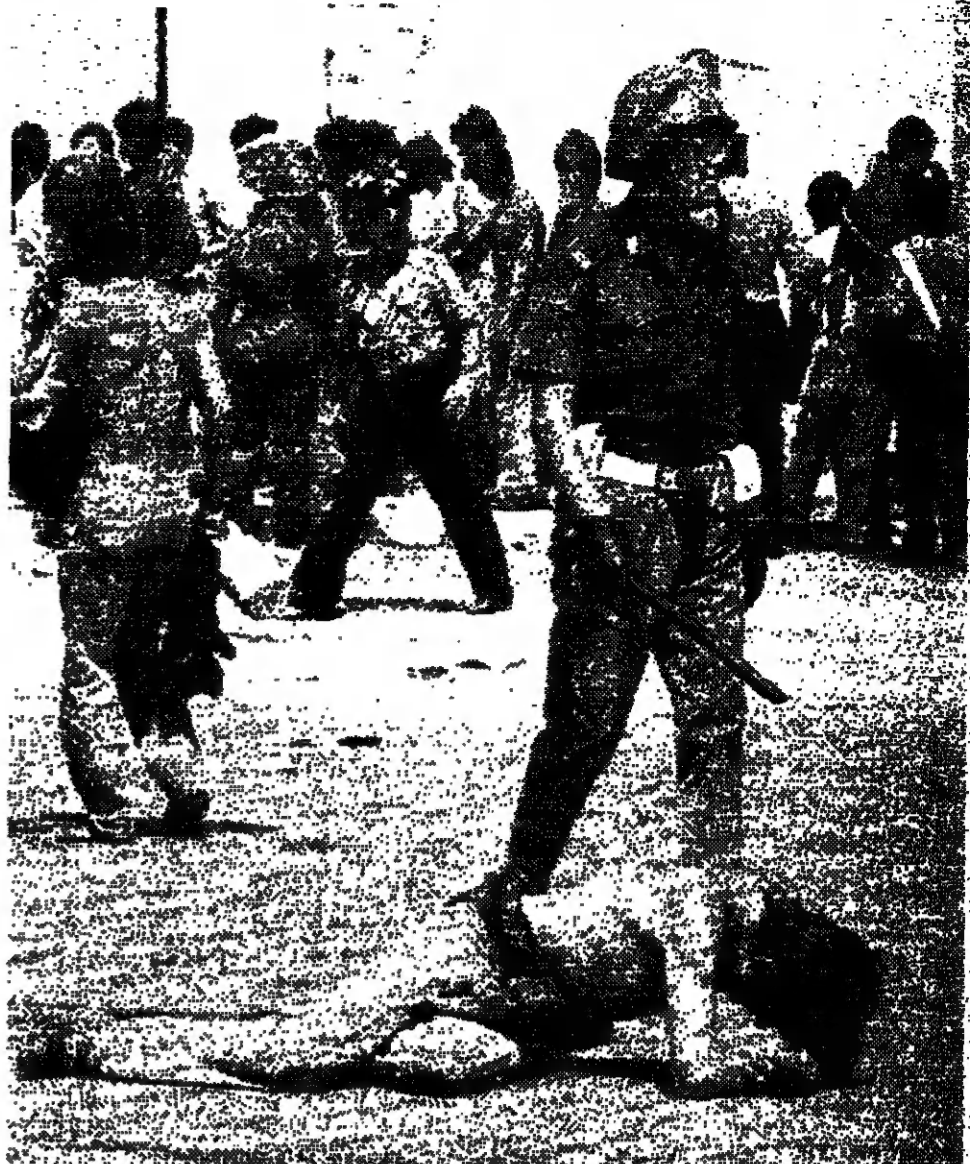
Mr Prokop has been arrested for his activities conducted while he was first deputy president at PKO BP and I hope that the accusation will not go beyond that," National Bank vice-president Stanislaw Topinski said.

The prosecutor's office has been investigating both the National Bank and state-owned PKO BP since June 18 over serious financial irregularities, including corruption and the issuing of unsecured credit guarantees and cheques.

"The losses to the state treasury are probably very high but at the same time they are very difficult to establish because of the complexity of the operation," Mr Topinski said.

The state security office has said the guarantees were mostly awarded to a private Polish concern whose owners are reported to have left the country.

Poland announced a sharp rise in unemployment. The number of jobless rose to 1,749,900 or 8.4 per cent of the workforce in July after a monthly leap of 175,800, the biggest since December 1989.



## Albanians try to flee police and army

AN Italian riot policeman (above) makes sure that an Albanian refugee in Bari does not manage to escape. About 200 refugees yesterday managed to flee the town's Vittorio Veneto stadium where some 7,000 are being held, Haig Simoni reports from Milan.

Violence in the port of Bari came after 10,000 Albanians would-be refugees crammed on board the freighter Vlore were allowed to disembark on Thursday.

The Italian government maintained its tough line that all the would-be refugees would be returned home, while ships making for Italy with refugees on board would be turned back.

At the stadium groups tried repeatedly to pull down barriers and escape. There were reports of violence as hundreds of Albanians, destined for deportation by sea or air, threatened bus drivers unless they stopped and were allowed to leave.

35 degrees Celsius. One Albanian was reported to have been seriously injured in fighting as escapees from the stadium made for the city, pursued by police and army units which have been drafted in to contain the situation.

There were also reports of violence as hundreds of Albanians, destined for deportation by sea or air, threatened bus drivers unless they stopped and were allowed to leave.

## Spain to miss growth target

By Peter Bruce in Madrid

THE SPANISH economy grew just 2.4 per cent in the first half of this year, according to a gloomy report by the Bank of Spain which independent economists agree will bury any hopes the government has of reaching its 3.5 per cent growth target for the year.

The bank, in its half yearly report, also warns that public sector spending is spinning out of control, that there are no signs of capital investment picking up in the rest of the year and that wage growth is unlikely to slow much from last year's 8.5 per cent.

The report is particularly critical of the government's inability to hold down its own spending, which it says is dragging the fight against inflation. Public spending, the report says, totalled Ptas740bn

(£4.75bn) in the first six months, some Ptas700bn more than was budgeted for the whole year.

The report does not refer to measures promised recently by the government to cut spending for the rest of the year after its failure to persuade union leaders to agree to a productivity pact. However it castigates local governments - and by implication, the socialist government which controls most of them - for heavy spending just ahead of last May's local elections.

The bank also reminds the government that it has become caught in what one Western economist called a "double whammy": having cut interest rates and yields on public bonds, buyers are deserting primary auctions and forcing the treasury to borrow from

the bank. By the end of June, the balance outstanding at the bank was approaching Ptas400bn. The Treasury has to end the year with a zero balance at the bank, which means yields on government bonds could rise again in order to attract buyers back.

On the other hand, analysts are also suggesting the government might be forced to signal a further reduction in official interest rates to convince the markets that it at least believes spending cuts for the year can bite into inflation.

July inflation figures due out on Monday are expected to be anywhere between 0.7 per cent and 1.3 per cent. At the lowest end, that would bring the consumer price index just off its current 5.3 per cent and, possibly, encourage a cut in official rates.

## Brussels tries to prop up beef market

By David Gardner in Brussels

THE European Commission is trying to prop up the collapsing EC beef market by offering higher margins to the meat processing industry. The measure aims to put a floor under free-falling prices and limit the amount of surplus coming on to the Community's now low-cow beef market.

The move also aims to combat efforts by processors in Ireland to drive down beef prices to the "safety net" threshold at which the EC is obliged automatically to buy up beef output into storage.

The safety net was lowered to 72 per cent of officially set prices in June to discourage stockpiling and save on the EC farm budget. But it is already in operation in Germany,

where stockpiling is only limited by lack of storage space. Until the lower threshold was introduced, eight out of 10 cattle slaughtered in Ireland went straight into intervention stocks - which have now spilled offshore into refrigerated ships. In France prices have fallen about 15 per cent and a variety of non-tariff barriers to imports have been erected.

The measure the Commission announced yesterday offers processors a 3.5 per cent increase in the official reference price in regions where actual prices are over the 72 per cent safety net threshold, against a 2.5 per cent margin in areas where prices are below the threshold.

Mr Ray MacSharry, the Irish EC agriculture commissioner, had earlier tried to cut the amount processors get from the EC's price system, and the Commission beat back the Irish industry's cartel response by refusing tenders which came in at the same price.

But Brussels has been forced to increase processors' margins by the rising stockpile and falling prices. The beef mountain had 55,000 tonnes added to it yesterday, to reach some 900,000 tonnes, close to its 1987 peak. This is in spite of forecast exports of over 1m tonnes, at dumping prices, for recent sale to Brazil, for instance, was at less than one quarter of the official EC price.

The size of the stockpile and the margin of dumping have created such an overhang on an already depressed market, that prices cannot recover until it is removed, and the cost to the EC budget is ballooning.

Though the cost of EC farm support is set to rise a record 30 per cent to \$40bn this year, the cost of subsidising beef is expected to double to more than \$5bn. EC beef output now exceeds 1987 levels at about 8.5m tonnes a year, but consumption has fallen to about 7m tonnes, mainly because of the bovine spongiform encephalopathy (BSE) or "mad cow" scare and changes in eating habits.

## Fed may ease policy after US wholesale price drop

By Michael Prowse in Washington

US WHOLESALE prices dropped for the second month running in July, giving the Federal Reserve - the central bank - greater scope to ease monetary policy by raising a resurgence of inflation.

The Labor Department said the producer price index for finished goods fell 0.2 per cent last month. The year-on-year increase was 2.9 per cent, compared with 4 per cent at the beginning of the year.

Wholesale prices have fallen in five of the last seven months. The weakness partly reflects sharp drops in food and energy prices, which tend to be volatile. But the closely watched "core" producer price index - which excludes food and energy - rose only 0.2 per cent last month after a zero increase in June.

This suggests the recession has prompted a more broadly based retreat of inflation. Core producer prices rose 3.3 per cent in the year to July.

The apparent decline in inflationary pressures is encouraging news for the Fed, which this week responded to signs of faltering growth by signalling the first easing of monetary policy since late April. It cut the federal funds rate a quarter point to 5.5 per cent, the lowest level in more than a decade.

Mr Alan Greenspan, the Fed chairman, recently told Congress the inflation outlook was improving and predicted a decline in retail price inflation to about 3.5 per cent compared with an underlying rate of about 5 per cent before the recession began.

## Stasi charge topples MP

MR Gerd Brunner, deputy premier of the state of Saxony-Anhalt, has become the latest east German politician to resign over links with the former Stasi state security service.

Mr Brunner, a member of the liberal Free Democratic party (FDP), was confronted with Stasi files showing he was an "informal collaborator" since student days in the early 1950s. Denying the Stasi ties, however, Mr Brunner said he was resigning to preserve the state government's "authority". Six members of the legislature in Saxony-Anhalt remain under investigation as suspected Stasi informers.

Since the overthrow of the Communists in autumn 1989, east German political life has been poisoned by charges that many of the leading new politicians had Stasi ties.

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No FT... no comment.

البيان



## Banks hold back on Nigerian debt pact

By William Keeling

NIGERIA'S international bank creditors have stalled on an agreement signed in principle with the government last March to reschedule the country's \$5.2bn (£3.4bn) of commercial bank debt.

The agreement would have cleared the path for Nigeria to buy back up to 60 per cent of the debt, which is currently trading at about 44 cents in the dollar.

Bankers report, however, that the London Club of commercial banks is divided over the section of the agreement which provides for banks to exchange the remainder of their debt for 30-year bonds carrying an interest rate of 6 1/2 per cent, with the principal to be covered by US Treasury bonds or their equivalent.

French banks have rejected the proposal by the government that bonds issued by the Resolution Funding Corporation (Reforp), the US government agency created to bail out the savings and loan industry, be used as collateral.

Reforp paper carries the highest triple-A credit rating and many banks within the London Club regard it as an acceptable option to US Treasury bonds.

The French banks are represented on the London Club steering committee by Banque Nationale de Paris, Cédit Lyonnais and Société Générale. These have argued that under French banking regulations Reforop paper would require French banks to make a greater provision for bad debt than other members of the London Club.

Even without the deal in place, bankers speculate that the government may have been secretly purchasing bank debt on the secondary market. Such action would be contrary to agreements with its international creditors under which the government is barred from buying back its debt through third parties.

Traders dealing in Third World debt report that large-scale purchases over the past two years have resulted in one company name in the US holding at least 25 per cent of Nigeria's commercial bank debt.

Other significant holders of Nigeria's commercial bank debt include the Bank for Credit and Commerce International in the UK which held up to \$300m on its books before its closure.

Reformer takes over as PM in Vietnam

A LEADING advocate of capitalist-style reforms was elected prime minister of Vietnam by the national assembly in Hanoi yesterday, agencies report.

Mr Vo Van Kiet, 69, who fought the French and Americans as a communist guerrilla, succeeded the more conservative Mr Du Mai, who submitted his resignation earlier in the day. The only other known candidate, state planning commission chairman Phan Van Khai, withdrew after being nominated.

The national assembly was to elect cabinet members at its closing session today.

King Hassan has been approaching a watershed in his battle to convince the world that the former Spanish colony is part of Morocco.

According to a plan drawn up by Mr Javier Perez de Cuellar, the UN secretary general, and endorsed last May by the Security Council, a referendum will be held to decide the fate of the territory, roughly the size of England, which has been ruled by Morocco since November 1976.

A ceasefire will be proclaimed on September 6. The United Nations Mission for Referendum in Western Sahara (MINURSO) comprising about 2,000 military and civilian personnel was due to arrive before then but there were fears at the UN that this week's fighting might delay their deployment.

If all goes to plan, it marks the end of a bitter 16-year conflict which has pitted Morocco against the Polisario Liberation Front and Algeria over the status of the territory.

All three parties have agreed since 1981 on the need for a referendum to settle the conflict and military operations have all but ceased since the mid-1980s. In May 1989, the Algerian President, Mr Chadli

## Ruling party proposes deregulation in attempt to clean up stock market

# Japan's scandal-hit traders may lose fixed commissions

By Stefan Wagstyl in Tokyo

JAPAN'S ruling Liberal Democratic Party yesterday proposed deregulating stock market commissions in response to the scandals in the securities industry.

MPs said deregulation of commissions on large-lot trading would help prevent a repetition of the scandals which involve brokers paying compensation to favoured clients. Deregulation would force brokers to compete on commission rates instead of competing with offers of other inducements such as compensation for trading losses.

The LDP's plan, in an interim report on the scandal, is unlikely to lead to immediate deregulation. Lawmakers would have to work through the ministry of finance which opposes deregulation. Securities companies would also lobby fiercely against liberalisation. Deregulation in New York and London has sparked tough competition and cut margins.

Nevertheless, Japanese and foreign brokers in Tokyo may be unable to avoid further reductions in fixed-rate commissions. Mr Ryutaro Hashimoto, the finance minister, told parliament yesterday that he might support a further cut in rates.

The LDP report also recommended tightening the regulation of securities markets, including improvements in self-regulation by industry organisations. The report did not refer to the controversial question of establishing a Japanese version of the American Securities and Exchange Commission.

The idea is opposed by the ministry, which favours setting up its own supervision unit.

Meanwhile, securities companies yesterday disclosed that the bulk of the compensation to clients was carried out by trading securities at artificial prices.

Seven brokers - including the Big Four of Nomura Securities, Daiwa Securities, Nikko Securities and Yamaiichi Securities - used securities transactions to transfer ¥160.3bn in

compensation out of a total of ¥172bn, according to the Japan Securities Dealers Association.

The brokers mostly used the markets in Japanese government bonds and equity warrants. The deals looked like normal transactions because the prices were reasonably close to the market place - the compensation transfers were achieved by trading very large volumes. Finance ministry officials have explained that the government bond market was suitable because there is a spread of 4 per cent between the selling and buying prices. So, brokers could compensate clients

by selling them bonds at prices near the bottom of the spread and buying them back near the top. Warrants were suitable because they are not traded on an exchange but over-the-counter where spreads are also quite wide.

The use of these transactions explains why some companies listed by brokers as having received compensation insist that they did not. No cash changed hands. Brokers also compensated clients by selling unlisted bonds and newly-issued convertible bonds at low prices and then buying them at higher prices.

The Japanese economy has suffered very little from the turmoil in the financial and property markets, according to a government white paper published yesterday.

The economy is likely to keep expanding, albeit at a slower pace than recently, despite last year's plunge in stock prices and the weakness in land prices, says the Economic Planning Agency.

The economy is next month expected to break the record for the longest post-war period of sustained growth - set during the so-called "bubble" boom in the 1980s.

The white paper is more optimistic than some private sector economists, who believe the effects of financial turmoil and high interest rates could halt expansion.

The report says the Japanese economy is growing much faster than other industrialised states - it expanded 5.7 per cent in the year to March, against 2.5 per cent for all industrialised countries.

Real economy unscathed by financial turmoil

By Stefan Wagstyl in Tokyo

IT SAYS a recent slowdown in growth will not lead to any sudden deceleration. A cut in the official discount rate last month will restore confidence in investment, particularly by small companies, which have suffered because of high interest rates.

The EPA says the fall in stock prices cut consumption modestly by reducing people's wealth - the "wealth effect". But the fall in land prices had little effect and could boost the economy by promoting investment in housing since homes will be more affordable.

The Gulf crisis had negligible effect on growth, although it did boost prices through raising the cost of oil.

The paper, "Conditions for long-run expansion and Japan's international role", says Japan and other industrialised countries, particularly the US, need to boost savings to alleviate capital shortages in some parts of the world. Japan also needs to maintain its overseas aid programme.

example, the ministry generally forbids securities companies from counting subordinated loans as part of their capital. Brokers, it is held, should use only their own resources. But foreign securities brokers have discreetly been told they can ignore this regulation - subordinated loans from parent companies in London or New York are allowed.

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Ryutaro Hashimoto: backs cut in fixed rates of commission

By Stefan Wagstyl in Tokyo

IT SAYS a recent slowdown in growth will not lead to any sudden deceleration. A cut in the official discount rate last month will restore confidence in investment, particularly by small companies, which have suffered because of high interest rates.

The EPA says the fall in stock prices cut consumption modestly by reducing people's wealth - the "wealth effect". But the fall in land prices had little effect and could boost the economy by promoting investment in housing since homes will be more affordable.

The Gulf crisis had negligible effect on growth, although it did boost prices through raising the cost of oil.

The paper, "Conditions for long-run expansion and Japan's international role", says Japan and other industrialised countries, particularly the US, need to boost savings to alleviate capital shortages in some parts of the world. Japan also needs to maintain its overseas aid programme.

example, the ministry generally forbids securities companies from counting subordinated loans as part of their capital. Brokers, it is held, should use only their own resources. But foreign securities brokers have discreetly been told they can ignore this regulation - subordinated loans from parent companies in London or New York are allowed.

The first instruction is written into the ministry's handbook. The second is not. It cannot be because it contradicts the first. So it is classed as "confidential".

The disadvantage of administrative guidance is that responsibilities become blurred. Before they start operating, securities companies, banks and most other financial groups must obtain licences. The ministry checks out applicants and grants licences sparingly. The ministry also demands regular detailed

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## SA army 'trained Inkatha fighters'

By Patti Waldmeir in Johannesburg

THE government of President F W de Klerk covered up evidence of collusion between the South African security forces and the mainly Zulu Inkatha party, a newspaper claimed yesterday.

Mr de Klerk's government was plunged into crisis last month when it was revealed that Pretoria had secretly funded Inkatha, the main rival of the African National Congress.

There have been numerous unproven allegations - that the security forces also helped Inkatha carry out attacks in black townships, or provoke fighting between the two black groups.

Yesterday's allegations, in the newspaper which broke the original funding story, the Johannesburg Weekly Mail, involved attacks on anti-apartheid activists said to have been carried out by Inkatha members trained by the South African Defence Force.

The allegations appear to contradict assurances from Mr de Klerk last week that 150 Inkatha members had been trained by the SADF in 1986 only as bodyguards for the KwaZulu government.

The paper alleges that Inkatha recruits were trained in guerrilla warfare and that graduates of the course were used for assassinations.

In at least one instance, a member of the cabinet of Chief Mangosuthu Buthelezi, chief minister of the KwaZulu black homeland and Inkatha leader, was said to have ordered the killings. The minister, Mr Samuel Jamba, was recently convicted of another murder.

The paper said its story was based on sworn statements from dissident Inkatha members trained in Namibia by the SADF.

The SADF has confirmed that training of Inkatha members for VIP protection was carried out at a camp in Namibia. The paper said it could not name its sources or publish other details, as the individuals involved feared for their lives.

ANC guerrillas held their first conference inside South Africa for 30 years yesterday with a call from Nelson Mandela not to drop their guard. Reporter from Johannesburg.

"Though we have suspended armed activity...we dare not relax our vigilance and we dare not permit Umkhonto we Sizwe (the ANC armed wing) to disintegrate or wither away," the ANC president said.

"We are called upon...to assist the masses in devising the appropriate response to the situation of violence."

It is possible for a Japanese ministry radically to change tack: the ministry of international trade and industry used to regard export-promotion as its prime goal - now it concentrates on boosting imports in order to alleviate trade friction. But this transformation has taken almost a decade and is still not complete. It is hard to see how the ministry of entry visas dating from the end of July. The third man carried papers in the name of Mr Azadi Mohammad.

The Iranian embassy in Paris yesterday issued a statement vigorously denying that the Iranian government was implicated in the murder of Mr Bakhtiar, the last prime minister appointed by the Shah of Iran before he fled his country in 1979.

Several Iranian exiles had said the previous day that Mr Bakhtiar's death had "without doubt" been ordered by Tehran.

The embassy said it believed the assassination could have been ordered by groups hostile to the improvement and development of relations between Iran and France.

"One cannot exclude the hypothesis that this assassination might result from the internal battles and settling of scores of the different factions in the opposition to the Islamic republic of Iran," the embassy added.

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## Rocky road to peace for Western Sahara

Francis Ghiles assesses the prospects for a solution to the 16-year conflict

THE FIGHTING that broke out this week between Morocco and guerrillas of the Polisario Liberation Front underlines how fragile is the road to peace in the Western Sahara.

King Hassan has been approaching a watershed in his battle to convince the world that the former Spanish colony is part of Morocco.

According to a plan drawn up by Mr Javier Perez de Cuellar, the UN secretary general, and endorsed last May by the Security Council, a referendum will be held to decide the fate of the territory, roughly the size of England, which has been ruled by Morocco since November 1976.

A ceasefire will be proclaimed on September 6. The United Nations Mission for Referendum in Western Sahara (MINURSO) comprising about 2,000 military and civilian personnel was due to arrive before then but there were fears at the UN that this week's fighting might delay their deployment.

If all goes to plan, it marks the end of a bitter 16-year conflict which has pitted Morocco against the Polisario Liberation Front and Algeria over the status of the territory.

All three parties have agreed since 1981 on the need for a referendum to settle the conflict and military operations have all but ceased since the mid-1980s. In May 1989, the Algerian President, Mr Chadli

Bendjedid, re-established diplomatic ties with Morocco which the latter had broken 12 years earlier after Polisario leaders proclaimed the Saharan Arab Democratic Republic (SADR). The first summit of North African leaders followed in June and by August, Mr Perez de Cuellar attempted to break the deadlock with a compromise calling for a ceasefire and recognition of the citizens of the Western Sahara, including those living in refugee camps in south-western Algeria.

The parties to the conflict - especially, it seems, Polisario and Algeria have made concessions. And although King Hassan never misses an opportunity to say that the result could only "ratify" what most Moroccans strongly feel is theirs, he has accepted a UN-mediated referendum and would find it difficult to retreat from his position. While 70 countries, albeit most of them African, have recognised the SADR, none have accepted Morocco's claim that it is part of a former more extended Moroccan kingdom. A vote in favour of independence could pose a serious threat to Morocco's domestic political stability because, despite its great cost, King Hassan owes a good measure of the political unity now prevailing in his country to his popular Saharan policy.

Spain handed over the territory to Morocco and Mauritania after reaching a secret

agreement with the two African countries in Madrid in November 1976. The population was not consulted and a UN mission earlier that year found no support for union with Morocco. The International Court of Justice, which King Hassan approached, recognised that links of religious allegiance had existed between certain Saharan tribes and the Moroccan monarchs but concluded that such links did not amount to sovereignty.

Contrary to Polisario's initial wishes, only half the estimated 130,000 Moroccan troops in the Western Sahara will be withdrawn in the run-up to the referendum. The remainder will be confined to barracks. Most of the existing Moroccan administration will remain.

The most challenging task for the UN secretary general's

special envoy, Mr Johannes Manz, is to decide who is eligible to vote. To the 74,000 names included in the census conducted by the former colonial power in 1974 must be subtracted those who have died and added those who have reached the age of 21. Others who now live in Morocco, Algeria and Mauritania and who can prove their Saharan origin - a group which includes the Polisario leader, Mr Mohamed Abdelaziz, who was born in Marrakech and whose father still lives there, will be included. Last month, Morocco submitted 120,000 names of people it feels should be entitled to vote, and this could delay the referendum.

Spanish officials believe the margin of error in the original census figure is no more than 10 per cent because the then Franco regime was pressing the idea of an independent Western Saharan state and thus had a vested interest in getting as accurate a figure as possible. The Spanish official in charge of the census, Colonel Emilio Cuevas, is acting as an adviser to Mr Johannes Manz.

Meanwhile Spain has handed over to the UN all documents relating to that census and others such as identity cards which includes photographs and fingerprints. The battle over who is entitled to vote promises to be severe.

Algerian leaders for their part - the population never shared the late President

Houari Boumedienne's anti-Moroccan zeal, wish to see the issue settled and are hoping that an honourable compromise can be found. If the result was in favour of independence, the new state might be expected immediately to proclaim its desire to be closely associated with Morocco checks out applicants and grants licences sparingly. The ministry also demands regular detailed

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## THE BCCI SHUTDOWN

## PRICE WATERHOUSE REPORT

## Allegations based on mistrust of one man

By Richard Tomkins in Abu Dhabi

ALLEGATIONS that the Abu Dhabi government concealed knowledge of fraud within the failed Bank of Credit and Commerce International (BCCI) appear to have rested largely upon the Bank of England's mistrust of a single Abu Dhabi government official.

He is Mr Ghanem Faris al-Mazroui, head of the Department of Personal Affairs of Sheikh Zayed bin Sultan al-Nahyan, the ruler of Abu Dhabi.

The naming of Mr al-Mazroui raises questions about the

Bank of England's claims that the majority shareholders in BCCI - Abu Dhabi's ruling family and government agencies - were implicated in a cover-up of the fraud.

Mr al-Mazroui is Abu Dhabi's sole representative on the board of BCCI and may have come by knowledge of the fraud in this way.

No firm evidence has yet been presented to show that he

bank's majority shareholders. The allegation that BCCI's majority shareholders knew of the fraud was contained in the report submitted by accountants Price Waterhouse to the Bank of England on June 22 this year. It was that report which provided the Bank with the ammunition to close BCCI down. Up until now, copies of the report have been available only with the identity of individuals blanked out.

However, the Financial Times has now seen an unex-

purgated version showing that Mr al-Mazroui is the only individual named as having knowledge of the fraud. It says: "The extent to which the major shareholder, and in particular its board representative HE G.F. Mazroui, was aware of the matters discussed in this report cannot be established. However, we have been informed that HE G.F. Mazroui and the government were briefed fully on all the problems in April 1990, notwithstanding that they allowed the

1989 accounts to be finalised in discussions with ourselves and the regulators without disclosing this information."

Elsewhere in the unexpurgated version, Mr al-Mazroui is named as the senior Abu Dhabi government official alleged to have been implicated in the illicit inflation of BCCI's share base through an agreement which apparently allowed him an indemnity to hold BCCI shares. He is also named as the official who confirmed the existence of a fictitious loan, but

who later allegedly told the auditors that he could not recall signing the confirmation, and "suggested to us that his signature might have been forged".

The Abu Dhabi government has declined to comment on suggestions that it knew of the fraud. Some in Abu Dhabi question whether it would have served Mr al-Mazroui's interests to keep the government informed of the fraud if his own name were implicated in some of BCCI's troubles.

## WORLD ROUND-UP

## Japanese group cash frozen in Tokyo branch

THE JAPANESE shipbuilding company Ishikawajima-Harima Heavy Industries Co Ltd (IHH), provided about ¥3bn (\$21.93m) in loans to its wholly owned financing subsidiary, which has about ¥12.7bn in term deposits now frozen at BCCI's Tokyo branch, IHH said.

The loan was to help the subsidiary, Ishikawajima Factoring Co Ltd, to meet demands for funds from IHH-related companies. Ishikawajima Factoring manages funds collected from such companies.

LONDON: Cargo shipments worth \$50m have been halted because of the closure of BCCI, the UK Institute of Export said.

It said 1,400 documents needed for the release of cargo were being processed by Touche Ross, the provisional liquidator. Without those documents - letters of credit that entitle the holder to a cargo - quaysides are blocked and port warehouses jammed.

BCCI was a main guarantor of cargo transactions in the Middle East, Africa and the Indian subcontinent.

WASHINGTON: Former US president Jimmy Carter has said he associated with the founder of BCCI solely to help the poor and knew nothing about criminal activity.

Mr Agba Hasan Abedi, the founder of BCCI, contributed \$5m to the Carter Presidential Centre's programme against disease and starvation in Africa and Asia. Mr Carter said he was never told that by the time the Carter Centre opened in 1988, US agencies knew Arab guerrilla leader Abu

Nidal was using a BCCI account. BCCI was taking control of First American Bank in Washington and police were documenting the bank's laundering of drug money from Latin America.

"He always initiated the humanitarian commitment," Mr Carter said. BCCI (SA) is registered in Luxembourg and controls the bank's European operations.

The court is expected to dismiss the bank's appeal against the administration order.

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## CORRECTION

## BCCI shareholders

LAST Saturday's issue of the Financial Times reported that a letter sent to the Bank of England by Price Waterhouse asserted that widespread fraud and manipulation at BCCI had been conducted in collusion with representatives of the bank's major shareholders.

In fact, Price Waterhouse's letter said fraud and manipulation had taken place in collusion with "major customers and shareholders".

The majority shareholders, which control 77 per cent of BCCI shares, have asked us to report that they firmly deny any suggestion that they colluded in fraud or manipulation. We are happy to do so.

## Bank's diplomatic dilemma over al-Mazroui

By Richard Tomkins

THE BANK of England was not so undiplomatic as to say so out loud, but the implications were clear when, at the end of last week, the June 1991 Price Waterhouse report alleging Abu Dhabi's involvement in a cover-up of the fraud at BCCI was leaked.

If the ruling Sheikh Zayed bin Sultan al-Nahyan and his government could not be trusted to come clean about the fraud within BCCI in April 1990, it implied, how could their intentions be trusted when it came to reconstructing the deeply troubled bank?

A different question is raised by a sighting of the unexpurgated version of the June 1991 report, showing that the name of only one Abu Dhabi official - Mr Ghanem Faris al-Mazroui - appears at several crucial points in the allegations of a cover-up.

Did Price Waterhouse and the Bank of England assume that the Abu Dhabi ruling fam-

ily and government knew of, and concealed, the fraud on the evidence of this one man's alleged knowledge of it?

Mr al-Mazroui's credentials suggest that he is almost synonymous with the ruling family and government. As head of the Department of Personal Affairs, he is not only a senior official, but an investment adviser to the ruling family.

In this tiny sheikhdom with its population of barely 70,000, however, real authority in financial affairs lies with a handful of senior figures who have been prominent since the emirate became independent of Britain 30 years ago. Mr al-Mazroui is not one of those.

He owes his present position to the dismissal of the previous head of the Department of Personal Affairs, Mr Abdullah Darwish, who was disgraced in 1982 when the disappearance of \$100m from the ruling family's funds was traced to unauthorised transactions on

the commodities markets.

Mr al-Mazroui, a highly regarded and intelligent man, won favour by sorting out the mess and was rewarded with his predecessor's position. He became Abu Dhabi's representative on the BCCI board, in which the ruling family and government were then minority shareholders.

It was the latter role that brought him into contact with BCCI's founder, Mr Agba Hasan Abedi - a figure then well known in Abu Dhabi circles because of his close relationship with Sheikh Zayed.

Some sources suggest that Mr al-Mazroui acquired a deep respect for Mr Abedi, partly because of Mr Abedi's relationship with Sheikh Zayed and partly because Mr al-Mazroui's growing religious convictions - the strength of which now mark him out from many of his colleagues - attracted him to some of BCCI's purported ideological objectives.

Mr al-Mazroui's position as a director of BCCI, his alleged involvement in financial transactions at the bank, and his association with Mr Abedi give credence to Price Waterhouse's claim that he knew the extent of the fraud within BCCI as long as ago April 1990.

Yet if Price Waterhouse is right, Mr al-Mazroui may also have had his reasons for keeping the knowledge to himself - either for fear of enraging Sheikh Zayed with unwelcome news about an investment for which Mr al-Mazroui, as a director, was partly responsible, or because he might be embarrassed by detailed disclosures about the difficulties within the bank.

It was Mr al-Mazroui who, in an affidavit to the High Court in London, reported a meeting in Abu Dhabi with Mr Robin Leigh-Pemberton, governor of the Bank of England. The governor, he said, had repeatedly stated that he did not believe

that BCCI's majority shareholders were implicated in the fraud.

However, in evidence before MPs in the UK later, Mr Leigh-Pemberton said that the fraud had involved "representatives of the major shareholders".

Surprisingly for such a serious allegation, Price Waterhouse's report does not substantiate the claim that the figures of real authority in Abu Dhabi financial affairs - figures regarded in the emirate as being of unimpeachable integrity - knew of the extent of the fraud in April 1990.

They are Sheikh Zayed and his son, the Crown Prince Sheikh Khalifa bin Zayed al-Nahyan, who do not involve themselves in day-to-day financial matters; Mr Mohammed Habrushi al-Surweidi, the secretary of state of Abu Dhabi's finance department and the managing director of the Abu Dhabi Investment Authority; and Mr Juan Salem al-Dahiri,

under-secretary at the finance department and a board member of the Abu Dhabi Investment Authority.

It could be said that some or all these figures knew there was fraud within BCCI in April 1990. So did the Bank of England: Price Waterhouse had already used the words "false and deceitful" in a report delivered to BCCI's directors and shareholders, as well as the Bank of England, that same month.

Price Waterhouse's report, however, goes further, saying that the auditors had been informed that the government of Abu Dhabi was "briefed fully" on all the difficulties in April 1990 and withheld information from the auditors.

If that allegation is true, the reputation of the Abu Dhabi government will be smeared and the Bank of England's actions will be vindicated. If it is not, some painful diplomatic grovelling may yet lie ahead.

## Regulatory opportunities were missed in UK

Peter Norman reports on failed moves to assume greater supervision over the bank's activities

ONE OF the questions that will have to be addressed by Lord Justice Bingham's inquiry into BCCI is whether the Bank of England could or should have assumed greater responsibility for supervising the operations of the collapsed bank in the UK.

According to supervisory officials familiar with BCCI, the Bank twice in the past decade came close to assuming responsibility for the supervision of BCCI's UK operations and other parts of the group.

The first time was in the mid 1980s, when the Bank considered a number of plans from BCCI for its UK branches and other operations to become a bank incorporated in the UK. That would have made them subject to the Bank's supervisory regime. More recently, the Bank considered a UK-based BCCI under its supervision to handle the BCCI group's European interests. That was frustrated by the discovery of widespread fraud at BCCI and its clients last year.

The failed mid-1980s move for more effective supervision illustrates how difficult it was for international supervisory authorities to agree on common action in the face of a banking structure of unparalleled complexity.

Because the BCCI affair involves concealment and fraud, it is not clear that the establishment of closer supervision at that time would have unearthed a scandal at the bank. Yet it remains possible that the authorities would have had a better chance of discovering irregularities sooner.

In the early 1980s, two supervisory bodies - the Bank of England and the Luxembourg Monetary Institute - became increasingly concerned about the BCCI Luxembourg, which was the bank's legal home and the home of BCCI Holdings SA, the group holding company, argued that it should not be the lead regulator when little of the bank's business was done in the Grand Duchy.

In 1984 and 1985, the LMI began to press the Bank to take greater responsibility for BCCI. From 1985, BCCI itself came forward with various proposals to become a proper bank in the UK and began to talk about relocating BCCI Holdings to London.

Those ideas were considered by the Bank of England. Even so, it was never sure how far BCCI's Cayman Islands operation or Banque de Commerce et de Placements (BCP), its Geneva-based subsidiary, were involved in the proposals.

Towards the end of 1985, BCCI's ideas became rather more concrete. It suggested a three-legged structure for the group with banks incorporated in the UK, the US and the Cayman Islands. At one point, there was a suggestion that the Bank should assume supervisory responsibility for 95 BCCI branches and 15 subsidiaries in 36 countries.

Although those ideas were never developed into fully fledged proposals, they looked promising from the Luxembourg viewpoint. Mr Pierre Jaans, the head of the LMI, had long argued that the economic activities of BCCI should be matched with an appropriate legal structure.

Those hopes were not to be fulfilled, for reasons that still are not fully clear. Leading actors in the discussions are, under the terms of the Banking Act, restrained from comment.

It is thought that the Bank refused to take greater responsibility for BCCI for the following reasons: ● None of the plans discussed would have given the Bank an oversight into all BCCI's operations. ● The Bank did not want to assume the obligations of lender of last resort for those operations additional to the branch activities.

● BCCI appeared to be becoming more of an Arab institution, with capital and funding increasingly supplied from United Arab Emirates. For that reason, the Bank was thought to be averse to giving it enhanced status through UK incorporation.

● The Bank felt that it could not count on the co-operation of BCCI in regulating the banking group. One of the daily dilemmas of the bank supervisor is that regulation normally works well only with the co-operation of the regulated.

● The Bank was especially wary of the Cayman Islands operation of BCCI. The BCCI branches in the UK were run from Luxembourg, not Cayman.

● Regulating BCCI might have cost the Bank a great deal. A questionable bank requires far greater regulatory resources than a sound blue-chip institution. One specific episode may have helped cause the Bank to pull back from allowing BCCI to incorporate in the UK. Late in 1985, the LMI decided to investigate BCCI's loss-making treasury operations. The Bank heard about the investigation from the Luxembourg authorities but not from BCCI itself. It is thought that such lack of candour helped to turn the

Bank against BCCI.

Whatever the reason, the failure of the mid-1980s plans to shift supervisory responsibility from Luxembourg to London prompted the authorities to find other solutions. Many international supervisors were concerned about BCCI's structure and lack of clear home base.

In 1987, Mr Jaans proposed that a "college" of regulators should be set up to supervise BCCI. Regulators from the UK, Luxembourg, the Cayman Islands, Hong Kong, France, Spain, the Netherlands and the UAE formed the college in 1988 with the aim of ensuring that the parts of the BCCI group under their direct control were as safe as they could be. Luxembourg continued unsuccessfully - to urge that BCCI become a proper bank in the UK to increase the effectiveness of the college.

The college hoped to gain a better insight into BCCI through appointing a single auditor to audit its worldwide operations at the same time. In theory, that would prevent the various BCCI subsidiaries from moving funds around the group in elaborate form of window dressing. BCCI management supported the supervisory college system. What

the system could not prevent was fraud.

The final move to bring BCCI under tighter supervision came after members of the Abu Dhabi ruling family and institutions became owners of 77 per cent of the group's equity in April 1990. For the first time the group had a clearly identifiable home.

Plans were made for the group to have three bases, all of which would come under clearly defined supervisory authorities. London would be responsible for BCCI's European branch network, which by now had shrunk to 25 branches in the UK and about a dozen on the Continent. Hong Kong would be the centre for its Far East business, and Abu Dhabi would become the home of the worldwide group.

Shortly after Abu Dhabi became BCCI's majority shareholder, the LMI gave BCCI and BCCI Holdings SA a year to shift their headquarters out of the Grand Duchy. Those operations, which would have finally brought most of BCCI under full Bank of England supervision and put an end to a decade and a half of BCCI-induced uncertainty for the Luxembourg authorities, were close to completion when the shutdown took place.



Pierre Jaans: argued for appropriate legal structure

## UK NEWS

## NEI Parsons cuts 350 jobs after sales drive fails

By Chris Tighe

NEI PARSONS, the Newcastle upon Tyne manufacturer of steam-turbine generators, yesterday announced up to 350 job losses.

The company, the biggest single component of Northern Engineering Industries, part of the Rolls-Royce group, said the cuts, affecting white-collar and production employees, were necessary to strengthen its competitiveness in a difficult international market.

In spite of an intensive sales drive, NEI Parsons has been unable to secure any turbine-generator orders at home or abroad since its £70m contract for the Al-Shamal power station was frozen last August as part of the Iraq trade embargo.

Suspension of that order led to 650 redundancies last year at Parsons, reducing its workforce to 2,500 - half its mid 1980s level.

Yesterday management and unions at the plant, one of north-east England's biggest workplaces, called on the government to match the aid available to Parsons' overseas competitors tendering for export orders.

Mr Richard Maudslay, Parsons' managing director, said the company must be allowed

to compete on equal terms for orders, especially from expanding markets such as India and the Pacific Rim countries.

He said: "We need firm support from government to export to these countries."

Mr Nick Brown, Labour MP for Newcastle East, said he would be immediately contacting the prime minister's office. Government promises of trade aid, made when the Iraqi order was frozen, must be honoured, he said. "Other countries provide it for their manufacturers and the British government should do the same."

NEI hopes up to 100 of the 350 job losses can be averted if at least one of the turbine-generator orders Parsons is currently negotiating is won. The company emphasised that it remained fully committed to Parsons and is going ahead with a £10m investment programme.

It is also increasing development spending on a range of low-cost designs.

Mr Barney McGill, the Parsons union convenor, said the workforce was bitter that after embracing new technology and flexible working it faced yet more redundancies.

## MPs warn on effects of Gulf deployment

By Paul Abraham

OPERATION Granby, the UK deployment to Iraq, is effectively destroying the operational capability of British forces in Germany, according to a report published yesterday by the Commons defence committee.

British forces were stretched in meeting Gulf commitments, the committee said. It warned that after recently proposed defence cuts the UK would be able to mount similar operations only if Europe was stable, if far fewer troops were left in Germany and if there was an increase in the use of reserve forces.

The Army was so stretched that it had a significant effect on its ability to guard military installations in Europe. All of RAF Germany's support helicopters were committed to Granby, half the Royal Corps of Transport, and half of the army's tanker trucks.

Medical services in Europe were particularly affected by the Gulf deployment. The number of beds available in service hospitals fell by 36 per cent as several hospitals were closed in the UK and Germany.

The committee also gave a warning that the UK would have had difficulties in mount-



On patrol: a Royal Navy Sea King helicopter over Kuwait City after its liberation from Iraqi forces

Alan Harper

ing the deployment of men, women and equipment if it had only the resources of the declining UK merchant fleet. The Ministry of Defence was forced to charter Romanian and Soviet-registered aircraft to assist the deployment.

Undermining of peace-time commitments meant the army was forced to add groups of regular soldiers to bring units

deployed up to strength. In some cases that meant increase of between two thirds and three quarters.

Nevertheless, the operation, which involved 45,000 service personnel, together with 15,000 vehicles and 400,000 tonnes of freight, was "by any standards a remarkable achievement". The report said studies were under way to examine the

## Scotch whisky exports rise 1%

By Philip Rawstone

EXPORT sales of Scotch whisky increased in value by 1 per cent to £779m in the first half of 1991, although volume dropped by 12 per cent.

The Scotch Whisky Association reported yesterday that brands bottled in Scotland accounted for 268.2m of the total, a 4 per cent growth, which it said reflected a further move away from the cheaper end of the Scotch market, in spite of difficult trading conditions.

The decline in export volume - to 96.8m litres of pure alcohol from 111.7m in the first half of 1990 - was largely due to increased stocking by US distributors late last year ahead of an increase in federal excise tax.

During the 12 months to the end of June this year, the value of export sales grew by 10 per cent over the previous year from £1.556m to £1.726m.

The importance of the European market to the industry was emphasised by a 15 per cent increase in sales to £213.4m during the first half of this year.

Shipments to the rest of the European Community now account for 40 per cent of worldwide sales.

FINANCIAL TIMES  
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BCCI shareholders  
LAST Saturday's issue of the Financial Times reported that a letter sent to the Bank of England by Price Waterhouse asserted that widespread fraud and manipulation at BCCI had been conducted in collusion with representatives of the bank's major shareholders. In fact, Price Waterhouse's letter said fraud and manipulation had taken place in collusion with "major customers and shareholders". The majority shareholders, which control 77 per cent of BCCI shares, have asked us to report that they firmly deny any suggestion that they colluded in fraud or manipulation. We are happy to do so.



## Woolwich support fails to quell Southdown jitters

By Tim Lawrence

THE BRITISH stiff upper lip was nowhere to be seen in Eastbourne, East Sussex, yesterday as hundreds of investors queued outside the Terminus Road branch of Southdown Building Society to withdraw funds after the society was placed in liquidation.

The scare occurred in spite of the announcement on Thursday that Woolwich Building Society, the third largest in the country, would stand behind Southdown, the 30th largest society, and provide all the funds that might be needed. A run on some of the society's 46 branches had started after rumours had been circulated.

The society, formed last year from the merger of Eastbourne Mutual and

Sussex County, and with assets of £750m, described the rumours as "totally without foundation". The Building Society Commission confirmed yesterday that Southdown was perfectly able to meet its obligations and said there was "no reason" for investors to take money out.

That news did not seem to have filtered through to the people of Eastbourne. "The queues are getting worse," said Mr Paul Richards, Eastbourne manager for Southdown Building Society. "I have not seen anything like this before."

Mrs Elsie Vaughn, a depositor with Southdown for 20 years, was one of many customers withdrawing her savings "to be on the safe side". She said: "There may be no truth in

the rumours, but I don't want to lose the little bit of money I have."

Investors had to stand for up to two hours to close their accounts. The mood was a mixture of holiday joviality and investor flight.

A large number of those queuing had not heard the rumours believed to have been started by an ex-employee. They had simply been drawn to the building society by the size of the crowd outside.

As far as Mrs Maria Orr, a depositor for 10 years, was concerned, the queue was evidence enough. "There must be some truth in the rumours to get people to join a queue this size."

Some were not reassured even by the support of Woolwich. "I'm hypersensitive of anything that puts you in

the slightest bit of risk," one man with a £30,000 deposit said. "The Building Society Association is only prepared to pay 90 per cent. If I'm not careful I could lose £2,000."

Other investors were angered by the panic, which they blamed on shock waves from the BCCI collapse.

There were still some calm investors. Miss Claire King, who had £1,000 worth of savings in the society, decided to leave her money where it was. "The Woolwich Building Society has agreed to back up Southdown, so there isn't any problem," she said.

Mr Martin Ball, marketing manager for Southdown, tried to calm his customers. "We are obviously allowing people to make withdrawals if they wish to do so and we are confident we

can manage this. Woolwich can provide the back-up if necessary," he said.

His strategy of keeping the doors open was not entirely successful. Although the Terminus Road branch was experiencing its busiest day ever, Southdown's two other branches in Eastbourne and its branches in Lewes and Hailsham were quieter than the previous day.

One customer who failed to withdraw money was Mrs Doreen Bennett. Having queued for two and a half hours she was told at 4.45 pm that Terminus Road branch was closing for the day. "I cannot say I will go home happily tonight," she said. "I've got a very painful headache."

Helping Hand, Weekend Page III

## National Power launches price challenge to Ofgas

By Deborah Hargreaves

NATIONAL Power, the electricity generator, launched a challenge to the Office of Gas Supply (Ofgas), the industry regulator, over pricing yesterday when the High Court granted its application for a judicial review.

The move marks one of the first legal challenges to an industry regulator since the system was set up following the government's initiative to privatise the utilities. National Power's decision to proceed with the review is likely to raise the tempers in a complex row between British Gas, its customers and the regulator.

The generator is questioning action taken by Ofgas after a surprise decision by British Gas to raise gas prices for power station customers by 35 per cent in March this year.

Ofgas forced the utility to continue negotiations about gas supply at the old price with companies planning to build two new stations, Thames Power, and a Mobil-Eastern Electricity joint venture.

National Power says those companies should not have been singled out to receive a better deal than others.

Although British Gas has agreed to lower its prices for all generating customers, it is still planning to meet the requirements of the two projects separately.

A legal challenge is pending by the companies involved in the two projects against British Gas, and by British Gas

against Ofgas. National Power said yesterday: "If the other companies drop their action against British Gas and we are satisfied a level playing field will persist in future, then we will drop our judicial review, but not until then."

Interested parties now have 56 days to respond to the judicial review.

Ofgas has called National Power's action "premature and based on a complete misunderstanding of the legal position".

Mr Malcolm Keay, deputy director of Ofgas, said yesterday: "I'm not sure what they're doing and it's not particularly helpful. We would like them to wait and see what's in the new price schedule before going ahead."

British Gas and Ofgas are still discussing a new, lower price for power customers which should reduce the cost of gas from 22p a therm to 18p a therm.

The new schedule is expected to be announced by the end of August.

Nevertheless, British Gas says it has still not determined how to deal with Thames Power and the Mobil-Eastern Electricity venture, since those companies are hoping to secure gas supplies at the old, pre-increase price of 16p a therm.

National Power said yesterday: "We think this would lead to discrimination against ourselves and a lot of other power companies."

## SE timetable for Taurus under threat

By Richard Waters

A FURTHER postponement of Taurus, the London Stock Exchange's long-delayed paperless settlement system, was threatened yesterday. The exchange said a system development target date would be missed by two months.

The system, intended to modernise London's antiquated settlement arrangements, is due to be launched at the end of May next year. It was originally scheduled for this October.

Yesterday the exchange said that an interim deadline intended to bring parts of the system into operation for testing this autumn - would be missed by two months due to software development delays.

It added that it needed to discuss the implications of this delay with its customers before deciding whether the planned introduction of Taurus next May was affected.

The exchange had planned from September to transfer electronic records showing shareholders' details to a new standardised format, and to introduce a new standardised coding for securities it trades. That will now be set back to November, due to delays in the writing and testing of software that is being developed by the exchange's staff.

Mr John Watson, project director for Taurus, said: "We just underestimated the scale of the task."

He added: "Clearly this puts us under pressure. But I can't tell until we have been through the consultation whether the whole project will be held up."

The exchange, as well as brokers, registrars and others who will be linked up electronically by the Taurus system, has always said that the timetable was extremely tight given the scale and complexity of the task.

Mr Mike Jones of Capel-Cure Myers, a member of the original Siscot committee that designed the system, said: "The timescale is fearfully tight. There is no room at all for slippage, and a number of things have still to be brought up to scratch."

Mr Watson denied that the target launch next May was unrealistic. He added: "It is very ambitious. We all want it as soon as possible, but we will not bring it in until the system is tried and tested."

The latest delay will not affect other parts of the Taurus timetable, such as the preparations by listed companies or the adoption of new legal regulations, the exchange said.



Ball set at £400,000: Mr Muhammad Naviede and his wife yesterday outside court

## Arrows owner charged with deception

By Richard Gourlay

MR Muhammad Naviede, the owner of Arrows Ltd, a trade finance company which was put into liquidation last week, was yesterday charged with obtaining £10m from NMB Postbank of the Netherlands by deception.

Mr Naviede was charged with dishonestly obtaining £5m from NMB Postbank on two occasions last year by falsely representing that the funds were to be used for trade finance. Further charges are expected.

Mr Naviede, 38, sat silently with his wife Michelle in Guildhall magistrates court as bail was set at £400,000.

He was ordered to surrender his passport and the pilot's licence for his two executive jets and a helicopter.

His bail conditions lay down that he must not "enter any aircraft or helicopter, except as a fare-paying passenger on an internal UK flight".

The Serious Fraud Office confirmed that it was investigating Arrows on Tuesday, a week after NMB Postbank called in liquidators at the Cheshire-based company after suspecting that funds it had

lent were making their way into property investments.

Liquidators were also appointed to 86 single-purpose companies connected with Mr Naviede and Arrows.

NMB, which is owed £25m by Arrows, is among more than 20 banks that lent about £125m to Arrows for stock financing operations. Possible losses of £100m are expected.

Mr Naviede has made several charitable donations through Arrows. An accomplished pilot, he flew around the world in June in 80 hours to raise money for Great

Ormond Street Children's Hospital.

He also ran an annual Young Company of the Year award, won in 1989 by Mr Richard Branson's Virgin Group, during which finalists were flown to the award ceremony in a specially chartered Concorde.

Arrows paid £50,000 during two years to Barnardo's, the children's charity, in connection with the competition.

Surety was posted by Mr Rafiq Awan, Mr Naviede's brother-in-law, and Mr Malcolm Grace, his father-in-law.

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## Fires ground new Harriers

THE RAF has grounded 96 of the newest Harrier jump jets after failures in the electrical systems of some aircraft. The GR5 and GR7 variants of the aircraft will be restricted to combat missions until the causes of the failures have been identified.

Deliveries from British Aerospace of the GR7 version of the jet have also been suspended.

The MoD said there had been

two incidents involving malfunction of the electrical systems on the GR5 and GR7 versions of the Harrier.

The order came into effect on July 29 after a failure in a GR5 at RAF Wittering, Cambs. The other involved a Harrier GR7 in Germany.

Older Harrier GR3s and Royal Navy Sea Harriers have different electrical systems and are not affected.

## Lords criticise EC farming reform plans

By Ivo Dawney, Political Correspondent

EUROPEAN Commission plans for reform of the Common Agricultural Policy wrongly assume that farming policy can fulfil social, economic and environmental goals, a House of Lords report said yesterday.

The Lords inquiry into the EC consultative paper concludes that its proposals are too conservative, are based on wrong assumptions, and fail to take account of agriculture's international context.

Under the EC plans, drawn up by Mr Raymond MacSharry, agriculture commissioner, support to many farmers would be cut by 35 per cent while greater subsidies would be allowed to keep small, inefficient farmers on their land.

The five-month inquiry by

the Lords EC select committee has decided that such goals are inappropriate and that more radical reforms are necessary. "The assumption that agricultural support can provide wider benefits to society as a whole should be questioned," it says.

The report warns that efforts to isolate Community farming from world markets are likely to require continued "expensive and inefficient" protection mechanisms, increasing strains with EC trading partners.

Backed calls for reduced price supports, it goes on to argue that cuts should be extended beyond the cereals market to other sectors. It also rejects the long-term application of set-aside schemes.

## Tribunal warns solicitors against 'sham partnerships'

SOLICITORS who practise on their own are being warned not to enter into the "folly" of "sham partnerships" with other members of the profession.

The Solicitors' Disciplinary Tribunal has reprimanded Miss Nethlyn Cochrane, who runs a practice in Walthamstow, north-east London, for being guilty of "conduct unbecoming a solicitor" by entering into such a partnership.

The tribunal expressed "considerable sympathy" for Miss Cochrane, who it heard now faces having to meet debts totalling £100,000 because of her mistake.

Miss Cochrane, a solicitor since 1984, had achieved admirable academic and professional qualifications and appeared to be running a practice in which she was a sole proprietor.

But Miss Cochrane, had told the tribunal that the repercussions

of her misjudgment had been severe and it was believed she would be required to meet payments totalling about £100,000.

The price she had paid was financial, professional and emotional, and she stood to lose all that she had worked for. She had faced professional disciplinary proceedings and had received three letters from her sham partner's creditors holding her responsible for his indebtedness and failure to comply with a professional undertaking. The amount claimed, which was not covered by insurance, totalled about £74,000.

Miss Cochrane expected a number of additional claims and faced claims for payment - predominantly fees for barristers and expert witnesses - that had been claimed from her by the sham partner.

Mr Justice Tugendhat, appearing for Miss Cochrane, told the tribunal that the repercussions

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Mr Justice Tugendhat, appearing for Miss Cochrane, told the tribunal that the repercussions

## Number of eye tests rises by 7%

THE NUMBER of sight tests conducted in the UK is picking up after falling by 60 per cent in the year after the abolition of free tests for all in April 1989, according to Market Assessment Publications, a market research publisher.

The report estimates that the number of tests rose by 7 per cent in the last three quarters of 1990 over the comparable period in the previous year. Development of the UK Optical Goods Market to 1995. Market Assessment Publications, 2 Duncan Terrace, London, N1 8BZ. 8995

## Coats Viyella factory closure

COATS Viyella, the clothing manufacturer, yesterday announced the closure of its Mexicana children's wear factory at Castlehill, Glasgow, with the loss of 250 jobs.

## Talks to save ratings' jobs on QE2 collapse

By Lisa Wood, Labour Staff

TALKS to save the jobs of the last British able seamen on the Cunard liner Queen Elizabeth 2, the flagship of the Cunard passenger line, have broken down. Their union claims that the men are to be dismissed.

Mr Sam McCluskie, executive officer of the Rail, Maritime and Transport Union said that negotiations with Cunard were over and the company's decision was final.

Cunard wanted to replace the remaining British ratings on its flagship with cheaper Third World labour, he said.

The 140 ratings are the only remaining members of the RMT, which includes the former National Union of Seamen, on the QE2 and Cunard's six other passenger ships.

Four years ago Cunard largely de-united its passenger ships by reaching an agree-

ment with its staff for individual contracts. The men were made redundant and then those who wanted them were offered new contracts, according to Cunard.

The 140 ratings on the QE2 were the only crew members on its fleet not to be covered by the new contract.

The RMT said yesterday that in a letter to the union, Cunard said staff dismissed would receive a year's salary, plus £1,500 for each year's continuous service.

The union said the company had said it had no alternative but to introduce the changes, which involved deck and engine room crew as well as medical staff.

The RMT said it would support its members if they wished to take industrial action over the sacking.

## PM backs Baker over Brixton escape

By Ivo Dawney, Political Correspondent

THE PRIME minister yesterday rallied behind Mr Kenneth Baker, pledging full support for the home secretary after repeated calls for his resignation after last month's escape of prisoners seriously.

That will come as a further embarrassment to Mr Baker. In what was described by Downing Street as a "routine" call to Mr Major in Spain, Mr Baker outlined the inquiries now under way into the Brixton breakout and measures taken to strengthen security.

Officials said Mr Baker fully accepted Mr Baker's statement on Monday that the escapes followed operational failures and were not due to ministerial oversight - the ground upon which the home secretary justified his decision not to resign.

"The prime minister took the opportunity to say that he was perfectly satisfied with [Mr Baker's] handling of

Brixton," an official said. Earlier yesterday, Labour returned to the attack, however, after a newspaper report that a Brixton prison officer had been a Special Branch informant, passing on information without the governor's knowledge.

The new allegations, published in The Independent, may help to explain the alleged claim, said to have been made by Mr Reg Withers, the outgoing governor, to a colleague that he had not received any warning on a breakout from the Home Office.

Seizing on the report, Mr Hattersley wrote to Mr Baker yesterday to challenge his claim that "operational" causes lay behind the escape by Mr Nessim Qunilvan and Mr Pearce McAuley.

In his new letter - the third since Judge Stephen Tunim reported on the breakout on

Monday - Mr Hattersley asks why high-risk Category A prisoners are still being held at the jail. He also asks why Mr Baker was able to order the dispersal of Category A prisoners last Monday if a lack of suitable alternative prisons was one of the reasons given for failing to act on an earlier call by Judge Tunim for such a measure to be taken.

The letter also lays responsibility for staff shortages, overcrowding and a failure to keep up the fabric of the prison - all cited as contributory factors to the escape - at the door of the ministers involved.

Most specifically, Mr Hattersley asks how x-ray machines sought by the prison authorities have now been made available. "If you are to be praised for installing an x-ray machine at Brixton after the escape, why are you not to be blamed for failing to install one before?" he inquires.

## Office supplier goes into receivership

By John Thornhill

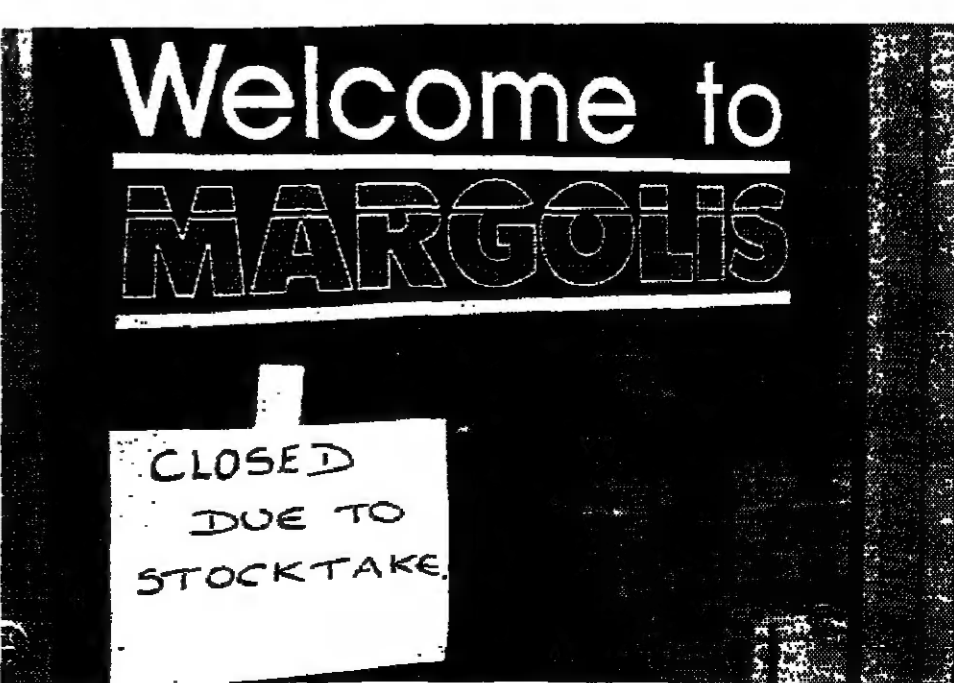
MARGOLIS, one of the largest office equipment suppliers in London, has gone into receivership. It is the latest victim of the recession that has badly affected the sector.

Yesterday the company's premises in New Oxford Street, London, had a notice in the window (pictured right) stating: "Closed due to stocktake."

The family-owned business, which was founded before the Second World War, sells office furniture and equipment such as photocopiers and facsimile machines. It employs 35 people and has an annual turnover of about £5m.

Mr Richard Boys-Stones of Price Waterhouse, who has been appointed administrative receiver, said: "The industry has been absolutely decimated in the last six to nine months."

He said he was in talks to try to sell the business as a going concern.





[illegible]



# Roland Rudd examines the government's plan to sell BT shares through high street retailers

## Nagging doubt over shares boost

Mr Francis Maude, financial secretary to the Treasury, will announce on Monday the biggest government initiative of its kind to boost wider share ownership in the UK. On the back of the November flotation of part of the government's 48.6 per cent stake in BT, ministers hope to entice millions of investors to buy and sell shares from banks and building societies in a whole range of popular stocks.

The idea was hatched more than three years ago. Mrs Thatcher, then prime minister, privately told government officials of her concern that while the number of individual shareholders had increased to more than 20 per cent of the adult population, compared with 7 per cent in 1979, institutions accounted for a bigger percentage of the shares in privatised companies than ever before. According to the government's Share Register Survey Unit, which tracks share ownership, pension funds and insurance companies held almost 50 per cent of the shares in privatised companies compared with the 20 per cent held by small shareholders.

Mrs Thatcher was irritated that the banks were dragging their heels over becoming involved in schemes to boost share ownership. For most of the banks a service to buy and sell privatisation shares was one thing; offering an all-bells-all-whistling financial service throughout the year was another. National Westminster, which has made an attempt to provide the latter, makes just 10 transactions a day in each of its 275 branches equipped with a touch screen share service.

So at a meeting at the Treasury in January 1988, attended by ministers, advisers, representatives of the Bank of England and the big UK merchant and clearing banks, BT was brought into play. It was decided to use the sale of the government's remaining stake in BT, formerly British Telecom, to "pump prime" the number of investors who might be persuaded to buy shares through the banks and building societies.

In doing so ministers have accepted that while most of the privatisation issues of the past decade have been a financial and political success they have not created a popular share-owning democracy. The launch of the government's initiative on Monday is aimed at addressing that problem by selling its BT shares through retail houses.

BT's customers, about 30m people, will be sent personalised letters from the government offering them the chance to take part in the BT sale through one of eight preferred retailers. These will include Barclays, Lloyds, Midland, National Westminster, Bank of Scotland, Abbey National, the Norwich and Peterborough Building Society and Sharelink, the share service in which BT has a 66 per cent stake.

The public will be able to choose the retailer of its choice and pre-register. The Treasury will include a leaflet containing information on the eight retailers to help the poten-

Breakdown of UK shareholders (%)				
	1983	1989	1975	1981
Individuals	54.0	47.4	37.5	28.2
Investment in privatised companies				
	Value (£bn)		% distribution	
Total of all sectors	48.0	100.0		
Individuals	9.0	18.3		
Unincorporated business	0.1	0.3		
Private non-profit making bodies	0.3	0.6		
Central government	8.4	18.2		
Local government	0.0	0.1		
Banks	0.1	0.2		
Insurance companies	6.7	13.7		
Pension funds	13.4	27.4		
Investment trusts	0.4	0.9		
Unit trusts	2.2	4.5		
Securities dealers	0.2	0.4		
Other financial institutions	0.3	1.0		
Industrial & commercial companies	0.9	1.8		
Overseas	5.2	10.7		

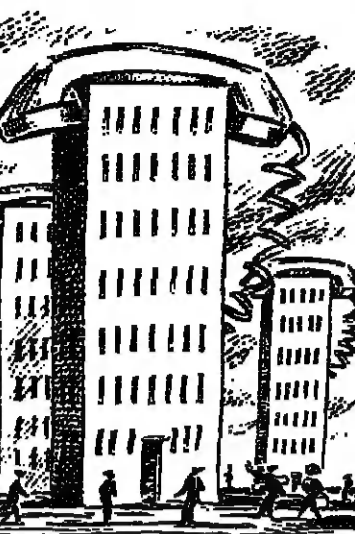
Source: Share Register Survey 1989

Investors choose their bank or building society. They will then receive an application form enabling them to lodge their application in the share shops.

While each retail house will fix its own commission two days after the offer closes, they will not be able to charge more than 1.5 per cent of the amount paid for the shares, or £15, whichever is higher.

Those who buy the BT shares will be offered vouchers, or coupons, guaranteeing them the same fixed commission they were charged when they bought BT shares on a range of popular shares offered by each retailer. (Investors will be offered a list of all the stocks in which each retailer provides a market.)

Barclays stockbrokers, for example, normally charges investors 1.65 per cent, or £28, for each transaction. That figure was slashed for the privatisation of electricity shares to 1 per cent, or £12.50. Immediately after the electricity sale Barclays' fixed commission went back up to the higher figure. Investors buying BT shares will now be offered a free voucher, interchangeable with any of the eight preferred retail houses,



giving them the special fixed discount on the commission of any share they choose to buy.

To encourage investors to develop a relationship with the retailer of their choice, the government will pay a sum of 34p in respect of each letter sent out to new BT shareholders, not later than two and half months after dealing, asking them whether they wish to continue to receive information on the services offered by their chosen retailer.

The government's decision to remain involved in the share dealing process after the first BT shares have been sold has delighted those involved in the offer. Mr David Jones, chairman of Sharelink, said: "This scheme provides a consistent share service to individual investors across the whole country for the first time."

It was this, and the fact that the government has reallocated some of its advertising resources towards paying for some of the banks' costs in the exercise, that enabled the retail stockbroking arms of the banks to persuade their boards that the recession-hit 1990s were still a better time to get involved in a wider share-ownership scheme than the roaring 1980s.

Those who have been excluded from the list of preferred retailers are highly critical of the scheme. Mr Gavin Oldham, chief executive of the Share Centre, a share boutique, which established and managed Barclaysshare, the bank's retail stockbroking arm, from 1985 to 1990, says the banks are only interested in making quick profits from privatisation issues. He claims they have no real interest in promoting wider share ownership.

He also believes the plans are anti-competitive since there is a danger that the eight preferred retailers could develop a cartel. Mr Oldham yesterday wrote to Sir Gordon Borrie, director-general of the Office of Fair Trading, complaining that the "freezing out of smaller organisations will have a detrimental effect on the range of share services available to the public".

Whether it is anti-competitive or not is a moot point. Eight different retailers is not bad for one sector. Each of the eight contacted said they would be competing vigorously with each other. There is little reason to doubt this since each retailer will be trying to get the maximum number of investors involved in its share shops. Some banks have also allocated more funds to their retail stockbroking operations.

A more pertinent question troubling ministers must be whether their chosen retailers are genuinely interested in boosting share ownership over the long term or whether they are only interested in cashing in on the latest privatisation. And even if they are sincere in their efforts to boost their share-dealing services - there is evidence to suggest that they might be the case - the government still has to persuade millions of potential BT shareholders to continue to buy and sell shares after all the razzmatazz of the flotation is over.



War games: Croat boy with a toy gun in Zagreb

Sitting on the terrace of the Moskva hotel in Belgrade is a magical experience. Here, in the bright, hot sunshine, the smell and sense of the Balkans is both intense and easy-going. Elderly men sit over their small glasses of *slovic*, passionately debating who is right and who is wrong in the country's worst crisis since the second world war.

"Don't talk to me about the war," says 81-year-old Dusan. "I was against the Croats and against the fascists in 1941. I joined the communists. I have had enough of the lot of them." But then, as the insults fly, the waiters smile and serve espresso and Turkish coffee. On the pavements, throngs of people - mostly young and well dressed - walk slowly up and down as if the had all the time and money in the world.

It is then that one is suddenly jolted back into reality. There is a war taking place in Yugoslavia. And it affects people in many different ways.

Herman Tertsch, a correspondent for El Pais, a Spanish daily, is a lucky man. Last week, he and six other jour-

nals drove south of Zagreb, the capital of Croatia. Tertsch had been driving through these Serb and Croat-inhabited villages for weeks. He knew the rules of the game. He had learned the local Serb commander he was coming to talk to him.

But after crossing from Croat territory into a Serb-inhabited region, as arranged, and after negotiating the first two Serbian barricades, he and the other journalists were stopped by local Serb militiamen. Then the trouble started. After chatting to the journalists for a while, the Serb militiamen became nervous. They pointed their Kalashnikovs at the journalists. "They accused us of spying for the Croats. I really thought I was going to be shot dead," said Tertsch. After tense discussions, Mr Tertsch and his colleagues were allowed to leave. Their

car was confiscated, along with their notes, computers, radios, and cassette recorders. "I am never going across the green line again," he said.

For the locals, rumour remains the most insidious force. Srdjan, a mathematician at Belgrade university, heard from neighbours that his savings were going to be wiped out because the government was planning to replace the dinar, the rapidly devaluing local currency, with ration coupons. Not that he could take out his hard currency savings from the banks. "There has been a total freeze on withdrawing foreign exchange deposits," he said. "I cannot leave the country because of my savings are in the banks. If the coupons were enforced, that would be the end of all I have."

Coupons might as well be

introduced. Fewer and fewer restaurants accept credit cards; foreigners cannot even withdraw hard currency. The black market is thriving at the railway station. Rumour and conspiracy, fuelled by the media, fill the air.

And what a media. In offices and homes, in cars and on street stalls, radios blare out news bulletins throughout the day. By night, Belgrade television - which broadcasts from Serbia - exploits the emotions of Serbs who blame the present conflict between Serbs and Croats on the Germans, the Austrians, the Hungarians and the Romanians. Many believe such distortions implicitly. There is little point in arguing. Just as there is little to be gained from listening to the Croatian republic's state-controlled media. But the people still listen to the reports - and the wildest of rumours. In

Croatia, the story has been doing the rounds - with no apparent foundation, yet - that the federal army plans to bomb key cities. Anja, a Zagreb artist, initially dismissed the advice from friends to prepare a bomb shelter for her husband and daughter. But after several such warnings she packed a box with food and blankets. She says she now waits for the air raid siren to sound at any moment.

This time last year, it was impossible to make a train reservation. Trains were over-booked. Tourists on their way to the Greek islands used to stop off at Belgrade for a day or two. Now, train timetables have no meaning. The trains up to Germany are delayed. Trains down to Turkey have been cancelled. Yugoslavia, if the word still has any meaning, are virtual

prisoners in their respective republics. They are no longer able to travel widely; civilians, policemen and federal soldiers select who is allowed to pass through the barricades in Croatia. It is risky to drive in a car with Zagreb number plates to Belgrade or vice versa.

Not have families remained immune from the crisis. Marijana, a pensioner, was born in Croatia; Milovan, her husband, in Montenegro. They married in 1948 and have lived happily in Zagreb for many years.

Last week Marijana finally lost patience with her husband's refusal to criticise the Serbs. "You Montenegrins are just puppets of Serbia," she cried. "Why can't you speak out against all this bloodshed? You are all cowards." Milovan did not reply to his wife's outburst. "What can I say? I have seen too many unkind and bad words said between people who were once friends. The war is destroying old friendships. I will remain silent. Otherwise, I will say things which I will regret for the rest of my life."

## LETTERS

### Competition should set gas market shares

From Mr Ivan J. Whitting.  
Sir, The views expressed by Mr Ian Powe and Mr Alan Marshall (Letters, August 1) may divert attention from the fundamental point that Mr Evans made in his Personal View column: competition in gas supply to the contract market is real and growing fast, and should be recognised as such. The effectiveness of competition rests not only on a simple market share criterion.

However, the fact that our competitors' share of the gas market will have risen from virtually nothing to about 25-30 per cent in the firm market in about three years suggests that there are no longer any serious barriers to entry. And if further proof were needed, the announcements that Midlands Electricity and Amerasia Hess intend to enter the market surely provides it.

As the barriers to entry within a market come down, competition should be left to influence market shares according to the balance of risk and reward within the market. What counts in the end is quality service at the right price for British industry and commerce. On this test further measures to manipulate the market artificially will not serve the public interest.

Ivan J. Whitting,  
group director of corporate affairs,  
British Gas,  
Riverside House,  
153 Grosvenor Road,  
London SW1

### Government accused of desperation in claiming success of hospital trusts

From Dr J.P. Lee-Potter.  
Sir, The survey quoted by Mr Stephen Dorrell, the junior health minister, in your article "Diagnosis is uncertain for NHS hospital trusts" on August 6 is a particularly unimpressive piece of evidence. For the government to use it as the basis for its extraordinary claim that trusts are "one of the great success stories" of the recent changes displays a hint of desperation. The Newchurch survey represents the bullish views of no

more than 34 of the 57 chief executives of the NHS trusts; their views are not exactly surprising. Increased activity, in all hospitals, directly managed by trusts, is only to be expected in the early part of the year. It is what happens towards the end of the year, when the money begins to run out, that will be the acid test.

The survey says that "having a highly motivated staff committed to making the trust a success is seen as crucial". I agree, but all NHS staff are highly motivated and the fact remains that many trust staff remain highly sceptical, if not deeply opposed, to the whole idea of these changes.

It is too early to say whether the considerable costs of setting up NHS trusts have been a sensible use of resources and it is disingenuous of the government to pretend otherwise. J.P. Lee-Potter,  
National Economic Research Associates,  
EMA House,  
Toulstock Square, WC1H 9JP

should. If auditors had clear, high standards of liability imposed on them, they would have no commercial incentive not to disclose details to investors. If, on the other hand, their liability was defined at a low standard, and understood as such, then it would not be beyond the investor community to insist on higher standards if they were worth the extra cost.

### BCCI raises questions about role and responsibilities of auditors

From Mr Dermot Glynn.  
Sir, Whatever the picture that ultimately emerges from the BCCI affair, it puts into sharp perspective a question which has been of increasing concern for some time. To whom ought auditors to be responsible, and for what exactly? Efficient working of the capital markets requires good information to be available to potential investors, as quickly and as generally as possible. Even if the auditors are attached to the public interest in deterring and identifying fraud.

Auditors are obviously well placed to contribute to both objectives, and to a degree do so, but the gap between the auditor's actual and perceived responsibility prevents the market from working as it should. If auditors had clear, high standards of liability imposed on them, they would have no commercial incentive not to disclose details to investors. If, on the other hand, their liability was defined at a low standard, and understood as such, then it would not be beyond the investor community to insist on higher standards if they were worth the extra cost.

Discussion of the BCCI affair illustrates the alarming gap in perceptions between what auditors offer and what investors receive. This expectations gap is the source of some market failure.

Dermot Glynn,  
National Economic Research Associates,  
EMA House,  
15 Stratford Place,  
London W1

### Really Feeble Mozart joke

From Mr Hector Eduardo Luis.  
Sir, I was deeply disturbed to read - on the front page of the FT - no less - that Mr Alain Levy likened Mr Andrew Lloyd Webber to Mozart ("Another Really Useful deal", August 6). I assume he meant the glorious, incomparable and lamented Wolfgang Amadeus.

Doubtless there are many people who truly believe in *insipid*, *bizarre* and *nonsensical* *drivel* (a flat earth, the tooth fairy, mermaids, dragons and unicorns). But does the FT really need to quote them? And on the front page? Or have I misunderstood and not realised that the FT has decided to introduce humour to its pages? If so, the first attempt was rather feeble. May I suggest for future editions likening Jacqueline Susann to Shakespeare and Ray Kroc to Escoffier?

Hector Eduardo Luis,  
7415 Beverly Road,  
Beverly Hills,  
California

### Non-executives on their toes?

From Mr James Shillingford.  
Sir, Paul Marsh (Personal View, August 5) argues that a useful effect of Hanson's stake in ICI and the concomitant threat of takeover is the value "which accrues to shareholders from keeping managements on their toes".

One view expressed in "Non-Executive Directors - A Study of Fees & Related Factors" (published by Pro-Ned, 1989) was that a key aspect of the non-executive director's role is to help the company on whose board he sits to "avoid complacency".

So is Paul Marsh implying that the non-executive directors of ICI (10 in number at the time of its last annual report) are not properly carrying out that function and that ICI shareholders should therefore be asking whether they are getting the value which some consider should accrue from them?

James Shillingford,  
14 Denbigh Terrace, W11

value only to those with an academic interest in studying the performance of their portfolios, or who, like certain acquaintances of mine, intend to postpone the spending of their money until after death.

My policy now is for any PEP already held either to be converted to dividend paying, or to be changed to new management if the existing one refuses to do this, as is regrettable the case with some.

M.J. Cheetham,  
Amwell Cottage,  
11 Hassocks Road,  
Hurstpierpoint,  
West Sussex BN8 9QH

persisting with costume and ritual in the courts, to ensure that justice is seen to be done. No one would object to Mr Lawson holding the views that he does, but why allow such facile bar-room debate to consume valuable space in the FT? Should we really be concerned that the government will eventually cream off not only 40 per cent of his fee, but also 40 per cent of the interest it may have earned in the meantime? Whatever they're paying him, it's too much.

Tim Owen,  
64 Graham Road,  
Wimbledon, SW19 3SS

LETTERS may be based on 07-673 6938. They should be clearly typed and ICI shareholders should therefore be asking whether they are getting the value which some consider should accrue from them?

James Shillingford,  
14 Denbigh Terrace, W11

# ADVERTISEMENT

## BUILDING SOCIETY INVESTMENT TERMS

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**TODAY:** Mr Toshiaki Kaitu, Japanese prime minister, starts visit to China until August 13, the first head of a Group of Seven (G7) member government to do so since Beijing's crackdown on student protests in June 1989. From Beijing, Mr Kaitu will go to Tian Bator for a two-day visit, the first by a Japanese prime minister to Mongolia. Soviet Union holds aviation and aerospace show in Zhukovskiy (until August 18).

**MONDAY:** Credit business (June). Retail sales (June-fin). Details of flotation of second tranche of FT shares (provisional). US retail sales for July. International symposium in Helsinki on future trends in the changing world (until August 15).

**TUESDAY:** UK acquisitions and mergers (second quarter). Capital issues and redemptions (July). Index of output of the production industries (June). Producer price index numbers (July-provisional). US retail sales for July. International symposium in Helsinki on future trends in the changing world (until August 15).

**WEDNESDAY:** US consumer price index for July; business inventories for June. Extraordinary session of Danish parliament to ratify treaty with Sweden on building fixed link over Baltic Straits between Denmark and Sweden. Publication of 1991 National Consumer Survey on public utilities. CBI Business Strategies regional industrial trends survey published.

**THURSDAY:** Provisional figures of vehicle production (July). Capital expenditure by the manufacturing industries (second quarter-provisional). Labour market statistics: unemployment and unfilled vacancies (July-provisional); average earnings indices (June-provisional); employment, hours, productivity and unit wage costs; industrial disputes. Financing of the central government borrowing requirement (second quarter). Monetary statistics including M4 sectoral analysis; bank and building society sterling lending (second quarter). US housing starts for July. Council of Mortgage Lenders makes statement on arrears and possessions in the first six months of 1991.

**FRIDAY:** Usable metal production (July). Public sector borrowing requirement (July). Retail prices index and tax and price index (July).

**FINANCIAL TIMES SHARE INDICES**

The Financial Times Ltd 1991. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

**EQUITY GROUPS**

Figures in parentheses show number of stocks per sector

Index	Day's Change	Est. Div. Yield (%)	Est. P/E Ratio	Est. Div. Yield (%)	Est. P/E Ratio
1. CAPITAL GOODS (248)	-0.1	10.21	5.84	12.09	22.56
2. BUILDING MATERIALS (24)	-0.8	8.78	5.92	14.46	32.76
3. CONTRACTING (11)	-0.7	9.70	6.88	13.03	32.68
4. ELECTRICALS (22)	-0.8	10.50	5.50	12.65	31.85
5. ELECTRONICS (22)	-1.1	8.59	5.27	15.04	32.67
6. ENGINEERING-GENERAL (43)	-1.4	10.53	6.06	7.22	32.11
7. ENGINEERING-GENERAL (43)	-1.4	10.53	6.06	7.22	32.11
8. METALS AND MINING (18)	-0.6	10.31	8.17	7.53	32.63
9. MOTOR VEHICLES (12)	-0.3	9.40	7.25	12.44	32.68
10. OTHER INDUSTRIAL (256)	-0.2	8.79	5.07	13.38	32.68
11. CONSUMER GROUP (127)	-0.2	8.79	5.07	13.38	32.68
12. BREWERS AND DISTILLERS (22)	-0.5	8.31	5.08	14.37	32.68
13. FOOD MANUFACTURING (12)	-0.2	9.63	5.15	12.82	32.68
14. FOOD RETAILING (17)	-0.2	9.63	5.15	12.82	32.68
15. HEALTH AND HOUSEHOLD (22)	-0.2	9.63	5.15	12.82	32.68
16. HOTELS AND LEISURE (23)	-0.1	9.63	5.15	12.82	32.68
17. MEDIA (26)	-0.2	9.63	5.15	12.82	32.68
18. PACKAGING, PAPER & PRINTING (17)	-0.2	9.63	5.15	12.82	32.68
19. STORES (22)	-0.2	9.63	5.15	12.82	32.68
20. TEXTILES (19)	-0.2	9.63	5.15	12.82	32.68
21. OTHER GROUPS (12)	-0.2	9.63	5.15	12.82	32.68
22. CHEMICALS (21)	-0.2	9.63	5.15	12.82	32.68
23. CONGLOMERATES (10)	-0.2	9.63	5.15	12.82	32.68
24. TRANSPORT (13)	-0.2	9.63	5.15	12.82	32.68
25. ELECTRICITY (12)	-0.2	9.63	5.15	12.82	32.68
26. TELEPHONE NETWORKS (4)	-0.2	9.63	5.15	12.82	32.68
27. WATER (10)	-0.2	9.63	5.15	12.82	32.68
28. FINANCIAL GROUP (22)	-0.2	9.63	5.15	12.82	32.68
29. INSURANCE (12)	-0.2	9.63	5.15	12.82	32.68
30. INVESTMENT TRUSTS (12)	-0.2	9.63	5.15	12.82	32.68
31. ALL-SHARE INDEX (643)	-0.2	9.63	5.15	12.82	32.68

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# NOT CLOSE... EXACT

## The FT-Actuaries Share Indices Service

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# Unilever Results

In Europe improvements in sales and margin resulted in increased profits, the foods businesses being the principal contributors.

In North America most product groups suffered decreases in operating profit. In the case of detergents this was due to planned investment in new products. The adverse factors bearing upon our personal products businesses were most keenly felt in this region. Nevertheless the performance of our North American operations showed signs of improvement towards the end of the period.

In the Rest of the World the profit in Brazil declined, largely as a result of price controls. Elsewhere results were generally good, particularly in Argentina, Chile, India and South Africa.

Interest costs fell mainly due to reduced borrowings. Prior year adjustments contributed to a lower tax charge.

At the average exchange rates for each period, net profit decreased by 2% in Sterling but increased by 3% in Guilders and 7% in Dollars over the first six months of 1990.

Trading conditions during the rest of the year are expected to be similar to those that prevailed during the first six months. We believe that the performance of the business in the current year should at least match that of 1990.

The results for the third quarter and announcement of interim dividends for 1991 will be published on Friday 8 November 1991.

For copies of results statements telephone Freephone 0800 181 891 or write to: Unilever External Affairs Department, P.O. Box 68, Unilever House, London EC4P 4BQ or, for Guilder version, P.O. Box 760, 3000 DK Rotterdam.

	First Half Year 1991	1990	Increase/Decrease
At constant (1990 annual average) exchange rates			



## INTERNATIONAL COMPANIES AND FINANCE

## General Motors warns of lack of profits until 1993

By Martin Dickson in New York

GENERAL MOTORS, the largest US car manufacturer, warned yesterday that its core North American vehicle operations may not return to profit until 1993 because of the industry's slow growth in sales.

Mr J.T. Battenberg, vice-president, told a conference that it would be extremely difficult for GM's North American operations to be profitable until the US market recovered to a volume of 16m vehicles a year - and that might take two to three years.

GM is forecasting 1992 sales of 13.5m to 14m units, up around 10 per cent from this year as the sector has been

hit hard by the US recession. GM lost \$1.2bn in the first six months of 1991, with heavy losses from its North American vehicle operations more than offsetting profits in Europe and in its non-automotive divisions.

Many analysts expect it, in common with other US motor manufacturers, to report a loss for the full year.

The warning is a reminder that while the worst of the cyclical downturn may be behind the US motor industry, it still faces major difficulties in balancing supply and demand and fighting the challenge from Japanese rivals.

The growth of Japanese

manufacturing plants in the US has exacerbated the sector's excess manufacturing capacity and put pressure on US companies to close plants.

Analysts estimate GM's plants are running at less than 80 per cent capacity. The company has pledged to operate them at 100 per cent capacity by the end of 1992. That implies substantial plant closures, but Mr Battenberg said this might now take to 1993, depending on the trend of sales.

He said GM's goal was to boost its US car market share to around 40 per cent over the next year or two. It currently stands at about 37 per cent.

## Iberia wins control of Venezuela's state airline

By Peter Bruce in Madrid

IBERIA, Spain's state-owned national airline, yesterday won its bid to take over management control of the Venezuelan flag carrier, Viasa, after a consortium led by KLM, the Netherlands airline, pulled out of privatisation bidding at the last moment.

Iberia is to take a 45 per cent stake in Viasa, and its local partner, the Banco Provincial group, will buy a further 15 per cent, for a total of 60 per cent.

Bids for the privatisation of Viasa were due to be opened in Caracas yesterday but KLM pulled out saying that it valued 60 per cent of Viasa well below the minimum \$135m stipulated by the Venezuelan government.

It was not clear last night how Iberia, which is making heavy losses, will finance the acquisition, but it marks a further step in its efforts to buy market share in Latin America and to become the major carrier between the continent and Europe.

This year the Spanish airline has already bought management control of Aerolineas Argentinas and Ladeo, Chile's second largest airline.

Iberia's acquisitions in South America reflect a general strategy of interest among Spanish public sector companies for privatised assets in the continent.

The airline also wants to buy into Chile's main carrier, Lan, and has similar designs on the Dominican Republic's flag carrier, Dominicana de Aviacion.

## Air Canada's losses slow

By Robert Gibbins in Montreal

AIR CANADA's losses slowed in the second quarter but international and domestic travel is still lagging because of the Gulf war aftermath, the long recession and higher domestic taxes.

Air Canada, privatised in 1989, warns that even with a stronger third quarter, it will still show a "significant loss" for 1991.

The second-quarter loss was \$330m (\$526m) or 41 cents a share, against a loss of \$340m in the first quarter and a profit of \$15m or 5 cents a share in the third quarter.

Operating revenues were \$3.08m, down 7.5 per cent. The first-half loss of \$130m or \$1.76 a share, compares with profit of \$6m or 8 cents a share in the third quarter. Operating revenues were \$1.77bn against \$1.9bn.

## Vitro heads Mexico's US drive

VITRO, Mexico's largest industrial business, has again shown why it is called Latin America's first multinational company. The group's latest move is to merge its consumer houseware division with a similar division of the US market leader, Corning, and form a new company.

The deal, worth an estimated \$800m and announced on Tuesday, would put Corning's consumer business into a US subsidiary called Vitro Corning, 51 per cent owned by Vitro, and 49 per cent by Corning. The two divisions last year had combined sales of \$900m.

"In the medium and long-run," said Mr Jorge Placido, a stock analyst at the Mexican brokerage Vector, "the team-up is very favourable." The deal furthers Vitro's aim to become an international conglomerate, knocking out a potential competitor in the likely event a free-trade agreement is signed between the two countries and gives the Mexican subsidiary the marketing skills of the US company to help its exports.

Vitro executives are no less enthusiastic. Mr Julio Escamela, president of Vitro's housewares product division, said the agreement will boost Vitro's desire to become a global company, able to sell to countries across the world.

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Two weeks ago Vitro also announced an agreement with the US company World Tableware International. As in the Corning venture, WTI issued 49 per cent of its

stock to the Vitrocor division of Vitro, to exchange Vitrocor's 49 per cent of Vitrocor's Cuiaberto, the largest glassware (cutlery) manufacturing plant in Mexico.

Other Mexican companies have not been left behind in the rush to form joint ventures or get involved in takeovers. In 1989, Cementos Mexicanos bought its Mexican rival Tolteca, and plants in the US for \$750m, giving the company 90 per cent of Mexico's cement exports, and a tenth of the cement market in the US market.

While Alfa and Cydsa - two other members of Mexico's Monterrey group - appear to be concentrating on the Mexican market, they too are now looking for US partners.

Alfa, a steel to petrochemicals conglomerate, already has joint ventures with Akzo, Amoco, BASF, Dupont and Ford. It is now looking for more US and Canadian partners to distribute its products. It is now distributing its products in Mexico according to a report in the Toronto Star.

Alfa is also looking for a foreign partner to help it buy Ahmsa, the soon-to-be privatised steel company, though apparently without much success.

Cydsa, the fourth member of the Monterrey group, and primarily a petrochemicals company, has already teamed up with Royal Plastics of Toronto, and together they are producing windows in Baja California, Mexico for sale in California.

The strategy of these large companies - to team up with US competition before being beaten by it - undoubtedly makes sense. It may however disappoint those who believe that a free-trade agreement between the US and Mexico would lead to unbridled competition between the conglomerates of the countries.

## Alcoa restructuring expected

By Barbara Durr in Chicago

SHARES of the Aluminum Company of America (Alcoa), the world's largest aluminum producer, are expected to be sold in a restructuring of the company.

Against a modest downward move by the market overall, Alcoa shares rose 8.5 cents to \$68.75 in mid-morning trading.

The market was expecting an announcement by Alcoa chairman, Mr Paul O'Neill, who had called together top

executives to a meeting in Pittsburgh, the company's home base.

Mr O'Neill, who is considered something of an industry maverick, was believed to be set to restructure the company into smaller, more autonomous units. The aim appeared to be to reduce company bureaucracy and bring management into closer touch with customers.

The three major operating

divisions of the company, metals and chemicals, packaging, and industrial goods, are to remain intact, though sales of some secondary units could be in the offing.

Alcoa, like other aluminum companies, has been suffering from a two-year slide in prices. But it has spent \$1.2bn modernising its plants since 1983 which some believe has helped it to perform solidly despite poor prices.

## Brierley raises stake in Air New Zealand

By Terry Hall in Wellington

BRIERLEY Investments is to increase its shareholding in Air New Zealand from 30 per cent to 37.5 per cent by buying 10.5m rights in the current cash issue from American Airlines, and then exercising them.

The move confirms speculation that American Airlines, which took a 7.5 per cent shareholding in the airline when it was privatised, did not intend to acquire further shares.

American Airlines refused to state its intentions in the issue when it opened a fortnight ago, leading to suggestions that it might not be a long-term holder.

This contrasted with statements from the other major shareholders, BIL and Qantas, which announced that they would be long-term holders, and Japan Air Lines which had also indicated its support for Air New Zealand.

BIL did not disclose the price paid to American Airlines for the rights.

On the New Zealand Stock Exchange yesterday the rights rose NZ\$0.03 to NZ\$0.30 and the head shares traded up 2 cents at NZ\$1.35.

## Elkem in the red at halfway

By Karen Fosell in Oslo

ELKEM, the troubled Norwegian light metals producer, plunged into a loss, before extraordinary items, to \$19.5m (\$30m) at the half-year mark compared with a profit of \$19.5m in the previous corresponding period.

In February, Elkem announced a harsh austerity plan in which it closed two plants, cut 800 jobs and passed a dividend after falling into a \$19.5m loss for 1990.

Mr Fredrik Vogt Lorenzen, Elkem's president, yesterday said the company was on track in its cost-cutting programme and that the consolidation phase which it had entered was being experienced by the world light metals industry.

"I am concentrated on solidifying this consolidation phase," he stressed.

But Mr Vogt Lorenzen said the company's financial position was not strong enough to undertake a pre-tax loss of \$19.5m. Elkem was also suffering from stiff competition

restructuring, as is the industry," he explained.

For the second quarter Elkem posted a \$19.5m loss compared with a profit of \$19.5m in the previous corresponding period.

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"I am concentrated on solidifying this consolidation phase," he stressed.

But Mr Vogt Lorenzen said the company's financial position was not strong enough to undertake a pre-tax loss of \$19.5m. Elkem was also suffering from stiff competition

from the Soviet Union, East Europe and China and was losing market share in the European Community.

Operating income for the materials division remained virtually unchanged at \$19.5m but the division experienced pre-tax losses of \$19.5m versus losses of \$19.5m. Elkem blamed the problem on an imbalance in the world silicon market and weak demand in Norway and Europe for carbon.

The aluminum division experienced an operating income of \$19.5m, on a par with that last year. On the bright side, despite weak LME prices, aluminum achieved pre-tax profits of \$19.5m at the half-year mark compared with a \$19.5m loss last year.

For its other businesses, operating income rose to \$19.5m from \$19.5m while pre-tax profits increased by \$19.5m to \$19.5m.

## Internatio/Hagemeyer link off

By Ronald van de Krol in Rotterdam

A LONG-AWAITED report commissioned by Internatio-Müller, the Dutch trading, transport and engineering group, has vindicated the company's opposition to a merger with Hagemeyer, the Netherlands' biggest trading house.

The idea of a merger was floated in May by First Pacific of Hong Kong, which owned a majority stake in Hagemeyer and which had quietly built up a 43.2 per cent stake in Internatio earlier this year. Internatio, which rejected the merger proposal from the start, agreed at the time to ask ABN Amro, the Dutch bank, to investigate whether it would

be in the company's interests to link up with Hagemeyer.

Responding to the report, Mr Andrew Land, chairman of Hagemeyer, said yesterday it was a "pity" that the two companies would not be merging but he wished Internatio well in its continuing restructuring efforts. New of the report's conclusions caused Internatio's shares on

The Amsterdam bourse to plummet to \$1.73 (\$3.70) from \$1.77 on Thursday.

First Pacific had made clear from the beginning that it would not force Internatio into a merger against its will and

that it would remain a long-term shareholder if the merger did not go ahead.

Mr Mas Thomassen, chairman of Internatio, said his company, which posted heavy losses in 1990, was conducting "constructive" talks with First Pacific on its future role in the company. This may include First Pacific receiving one or two seats on Internatio's eight-member supervisory board.

In the meantime, however, Internatio had no intention of withdrawing its hasty issue of preference shares in May, which was designed to foil any untimely takeover bid by the Hong Kong company.

## WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1991	Low 1991
Gold per troy oz.	\$358.35	+1.8	\$381.25	\$362.25	\$353.55
Silver per troy oz.	\$24.50	+0.5	\$24.50	\$24.50	\$23.50
Aluminum 99.95 (cash)	\$1271.5	+9.5	\$1271.5	\$1271.5	\$1222
Copper Grade A (cash)	\$1324	-1	\$1216	\$1272	\$1241.0
Lead (cash)	\$230.25	-2	\$248.0	\$238.5	\$229.5
Nickel (cash)	\$380.00	-30	\$380.00	\$380.00	\$381.0
Zinc SHG (cash)	\$1063	-7.5	\$1161.5	\$1430	\$1030
Tin (cash)	\$5690	-15	\$5690	\$5690	\$5470
Cocoa Futures (Dec)	1597	-15	1597	1597	1597
Coffee Futures (Nov)	1597	-25	1597	1597	1597
Sugar (LDP Raw)	\$253	-39	\$253	\$253	\$253
Wheat Futures (Nov)	\$213.30	-0.45	\$213.30	\$213.30	\$213.30
Cotton Futures A Index	74.45	+0.35	81.75	81.75	74.45
Wool (Wool Super)	\$67	-3	\$67	\$67	\$67
Oil (Brent Blend)	\$19.325x	+0.5	\$25.55	\$25.55	\$16.75

Per tonne unless otherwise stated. Unquoted: p-pence/kg, c-cents lb, x-cps.

## London Markets

SPOT MARKETS	Latest	Change
Crude oil (per barrel FOB)	+	0
Brent Blend (diesel)	\$18.50-5.00	+0.10
Brent Blend (gas)	\$19.50-5.50	+0.15
WTI (11 pm est)	\$21.50-1.00	+0.15
Oil products		
WTI premium delivery per tonne CIF		
Gas oil	\$24.25	+2
Premium Gasoline	\$24.25	+2
Gas oil	\$24.25	+2
Heavy Fuel Oil	\$24.25	+2
Naphtha	\$24.25	+2
Petroleum Argus Estimates		
Other		
Gold per troy oz.	\$358.35	+1.10
Silver (per troy oz.)	\$24.50	-0.55
Platinum (per troy oz.)	\$552.25	-0.55
Palladium (per troy oz.)	\$94.00	-0.25
Copper (US Producer)	107 c	
Lead (US Producer)	90c	
Tin (Kuala Lumpur market)	16.42	
Tin (New York)	253.5	-1
Zinc (US Prime Western)	62.0c	
Cattle (live weight)	105.00p	-0.13
Sheep (dressed weight)	124.94p	+4.37
Pige (live weight)	61.80p	+0.03
London daily sugar (raw)	\$253.00	-42
London daily sugar (white)	\$253.00	-42
Taps and Lyle sugar (raw)	\$253.00	-42
Barley (English feed)	17.50	-0.25
Maize (US No. 3 yellow)	17.50	-0.25
Wheat (US Dark Northern)	17.50	-0.25
Rubber (Sap)	52.25	
Rubber (RSS No 1 Sep)	52.25	
Rubber (KL RSS No 1 Sep)	52.25	
Cocoa (on Philippines)	15.00	-0.25
Palm Oil (Malaysian)	\$240.00	-15
Copra (Philippines)	\$152.00	-15
Soybeans (US)	17.50	-0.25
Cotton "A" index	74.45	-0.35
Wooltops (45s Super)	307	-3

a 1000 unless otherwise stated. p-pence/kg, c-cents lb, x-cps.

COCOA - London POX			D/trend
	Close	Previous	High/Low
Sep	656	648	658/646
Nov	697	688	697/685
Mar	731	722	731/720
May	751	739	751/741
Jul	770	757	770/758
Sep	789	775	789/770
Dec	818	806	820/803
Turnover: 3140 (6682) lots of 10 tonnes			
ICCD indicator prices (\$/tR for per tonne). Daily prices for 10 tonnes (USD \$5) 10 day average for Aug. 2012 (USD \$47)			
COFFEE - London POX			D/trend
	Close	Previous	High/Low
Sep	513	518	533/510
Nov	538	542	554/534
Jan	557	562	568/554



# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

### Dollar maintains firmer tone

THE DOLLAR had a firm tone yesterday, touching a peak of DM1.730, on sustained buying interest despite lower than expected US producer prices. The July producer price index was expected to be flat, but fell 0.2 per cent after declining 0.3 per cent in June.

Initial reaction was to sell the dollar on the PPI news, but it remained well above support at DM1.700, falling no lower than DM1.700 as traders continued to cover short positions.

Caution dominated sentiment however, as the favourable news on wholesale inflation was seen as an encouragement to easier credit policy, if the Federal Reserve decides at the economy needs a boost.

Mr Martin Frawley, White House spokesman, referred to July's PPI said the figures were "certainly good news on the inflation front. It appears to be low and under control."

In New York, the Federal Reserve added \$2bn to temporary reserves to the banking system, via customer repurchase agreements, when Federal funds were trading at 5 1/2 per cent. This tended to confirm the assumed target level of 5 1/2 per cent, compared with 5 1/4 per cent previously.

At the London close the dollar had climbed to DM1.7275 from DM1.7240, to Y136.50 from Y136.50, to SFR1.5135 from SFR1.5090, and to PFR5.8750 from PFR5.8675. On Bank of England figures the dollar index rose 0.2 to 65.2.

Apart from speculation about further easing by the Fed the market is likely to grow increasingly nervous next week about possible tightening by the German Bundesbank. The Central bank council meets next Thursday and is widely expected to increase the German discount rate from 6.5 per cent. There is doubt about any other moves, but dealers spoke of a growing conviction that a Lombard rate rise is coming, if not on Thursday, then at the end of the month.

In the European exchange rate mechanism, sterling was little changed, remaining the third most valued currency. Members of the ERM also traded steadily, with the D-Mark staying third strongest, below the Belgian franc and the top placed Spanish peseta.

## IN NEW YORK

Aug. 9	Aug. 10	Aug. 11	Aug. 12	Aug. 13	Aug. 14	Aug. 15	Aug. 16	Aug. 17	Aug. 18	Aug. 19	Aug. 20	Aug. 21	Aug. 22	Aug. 23	Aug. 24	Aug. 25	Aug. 26	Aug. 27	Aug. 28	Aug. 29	Aug. 30	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 31	Aug. 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## LONDON STOCK EXCHANGE Dealings

Details of business below have been taken with consent from last Thursday's Exchange Official List and should not be reproduced without permission.

Details relate to the FT Share Information Service. Unless otherwise stated, prices are in pence. The prices are those at which the business was done in the hours up to 4 pm on Thursday and through the Stock Exchange Tailsman system. They are not in order of execution but in ascending order of the day's highest and lowest dealings.

For securities in which no business was recorded in Thursday's List the prices are those in the four previous days given with the relevant date.

Rule 55(2) and Third Market are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

† Bargains at special prices. ‡ Bargains done the previous day.

## British Funds, etc.

No. of bargains indicated 291

Eschwege 10.1% 2005 - £103.7

2010 - £104.7 (Aug 1)

Guaranteed Foreign Income Corp PLC

12% 2005 - £104.7 (Aug 1)

12% 2010 - £105.7 (Aug 1)

12% 2015 - £106.7 (Aug 1)

12% 2020 - £107.7 (Aug 1)

12% 2025 - £108.7 (Aug 1)

12% 2030 - £109.7 (Aug 1)

12% 2035 - £110.7 (Aug 1)

12% 2040 - £111.7 (Aug 1)

12% 2045 - £112.7 (Aug 1)

12% 2050 - £113.7 (Aug 1)

12% 2055 - £114.7 (Aug 1)

12% 2060 - £115.7 (Aug 1)

12% 2065 - £116.7 (Aug 1)

12% 2070 - £117.7 (Aug 1)

12% 2075 - £118.7 (Aug 1)

12% 2080 - £119.7 (Aug 1)

12% 2085 - £120.7 (Aug 1)

12% 2090 - £121.7 (Aug 1)

12% 2095 - £122.7 (Aug 1)

12% 2100 - £123.7 (Aug 1)

12% 2105 - £124.7 (Aug 1)

12% 2110 - £125.7 (Aug 1)

12% 2115 - £126.7 (Aug 1)

12% 2120 - £127.7 (Aug 1)

12% 2125 - £128.7 (Aug 1)

12% 2130 - £129.7 (Aug 1)

12% 2135 - £130.7 (Aug 1)

12% 2140 - £131.7 (Aug 1)

12% 2145 - £132.7 (Aug 1)

12% 2150 - £133.7 (Aug 1)

12% 2155 - £134.7 (Aug 1)

12% 2160 - £135.7 (Aug 1)

12% 2165 - £136.7 (Aug 1)

12% 2170 - £137.7 (Aug 1)

12% 2175 - £138.7 (Aug 1)

12% 2180 - £139.7 (Aug 1)

12% 2185 - £140.7 (Aug 1)

12% 2190 - £141.7 (Aug 1)

12% 2195 - £142.7 (Aug 1)

12% 2200 - £143.7 (Aug 1)

12% 2205 - £144.7 (Aug 1)

12% 2210 - £145.7 (Aug 1)

12% 2215 - £146.7 (Aug 1)

12% 2220 - £147.7 (Aug 1)

12% 2225 - £148.7 (Aug 1)

12% 2230 - £149.7 (Aug 1)

12% 2235 - £150.7 (Aug 1)

12% 2240 - £151.7 (Aug 1)

12% 2245 - £152.7 (Aug 1)

12% 2250 - £153.7 (Aug 1)

12% 2255 - £154.7 (Aug 1)

12% 2260 - £155.7 (Aug 1)

12% 2265 - £156.7 (Aug 1)

12% 2270 - £157.7 (Aug 1)

12% 2275 - £158.7 (Aug 1)

12% 2280 - £159.7 (Aug 1)

12% 2285 - £160.7 (Aug 1)

12% 2290 - £161.7 (Aug 1)

12% 2295 - £162.7 (Aug 1)

12% 2300 - £163.7 (Aug 1)

12% 2305 - £164.7 (Aug 1)

12% 2310 - £165.7 (Aug 1)

12% 2315 - £166.7 (Aug 1)

12% 2320 - £167.7 (Aug 1)

12% 2325 - £168.7 (Aug 1)

12% 2330 - £169.7 (Aug 1)

12% 2335 - £170.7 (Aug 1)

12% 2340 - £171.7 (Aug 1)

12% 2345 - £172.7 (Aug 1)

12% 2350 - £173.7 (Aug 1)

12% 2355 - £174.7 (Aug 1)

12% 2360 - £175.7 (Aug 1)

12% 2365 - £176.7 (Aug 1)

12% 2370 - £177.7 (Aug 1)

12% 2375 - £178.7 (Aug 1)

12% 2380 - £179.7 (Aug 1)

12% 2385 - £180.7 (Aug 1)

12% 2390 - £181.7 (Aug 1)

12% 2395 - £182.7 (Aug 1)

12% 2400 - £183.7 (Aug 1)

12% 2405 - £184.7 (Aug 1)

12% 2410 - £185.7 (Aug 1)

12% 2415 - £186.7 (Aug 1)

12% 2420 - £187.7 (Aug 1)

12% 2425 - £188.7 (Aug 1)

12% 2430 - £189.7 (Aug 1)

12% 2435 - £190.7 (Aug 1)

12% 2440 - £191.7 (Aug 1)

12% 2445 - £192.7 (Aug 1)

12% 2450 - £193.7 (Aug 1)

12% 2455 - £194.7 (Aug 1)

12% 2460 - £195.7 (Aug 1)

12% 2465 - £196.7 (Aug 1)

12% 2470 - £197.7 (Aug 1)

12% 2475 - £198.7 (Aug 1)

12% 2480 - £199.7 (Aug 1)

12% 2485 - £200.7 (Aug 1)

12% 2490 - £201.7 (Aug 1)

12% 2495 - £202.7 (Aug 1)

12% 2500 - £203.7 (Aug 1)

12% 2505 - £204.7 (Aug 1)

12% 2510 - £205.7 (Aug 1)

12% 2515 - £206.7 (Aug 1)

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12% 2555 - £214.7 (Aug 1)

12% 2560 - £215.7 (Aug 1)

12% 2565 - £216.7 (Aug 1)

12% 2570 - £217.7 (Aug 1)

12% 2575 - £218.7 (Aug 1)

12% 2580 - £219.7 (Aug 1)

12% 2585 - £220.7 (Aug 1)

12% 2590 - £221.7 (Aug 1)

12% 2595 - £222.7 (Aug 1)

12% 2600 - £223.7 (Aug 1)

12% 2605 - £224.7 (Aug 1)

12% 2610 - £225.7 (Aug 1)

12% 2615 - £226.7 (Aug 1)

12% 2620 - £227.7 (Aug 1)

12% 2625 - £228.7 (Aug 1)

12% 2630 - £229.7 (Aug 1)

12% 2635 - £230.7 (Aug 1)

12% 2640 - £231.7 (Aug 1)

12% 2645 - £232.7 (Aug 1)

12% 2650 - £233.7 (Aug 1)

12% 2655 - £234.7 (Aug 1)

12% 2660 - £235.7 (Aug 1)

12% 2665 - £236.7 (Aug 1)

12% 2670 - £237.7 (Aug 1)

12% 2675 - £238.7 (Aug 1)

12% 2680 - £239.7 (Aug 1)

12% 2685 - £240.7 (Aug 1)

12% 2690 - £241.7 (Aug 1)

12% 2695 - £242.7 (Aug 1)

12% 2700 - £243.7 (Aug 1)

12% 2705 - £244.7 (Aug 1)

12% 2710 - £245.7 (Aug 1)

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12% 2725 - £248.7 (Aug 1)

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12% 2735 - £250.7 (Aug 1)

12% 2740 - £251.7 (Aug 1)

12% 2745 - £252.7 (Aug 1)

12% 2750 - £253.7 (Aug 1)

12% 2755 - £254.7 (Aug 1)

12% 2760 - £255.7 (Aug 1)

12% 2765 - £256.7 (Aug 1)

12% 2770 - £257.7 (Aug 1)

12% 2775 - £258.7 (Aug 1)

12% 2780 - £259.7 (Aug 1)

12% 2785 - £260.7 (Aug 1)

12% 2790 - £261.7 (Aug 1)

12% 2795 - £262.7 (Aug 1)

12% 2800 - £263.7 (Aug 1)

12% 2805 - £264.7 (Aug 1)

12% 2810 - £265.7 (Aug 1)

12% 2815 - £266.7 (Aug 1)

12% 2820 - £267.7 (Aug 1)

12% 2825 - £268.7 (Aug 1)

12% 2830 - £269.7 (Aug 1)

12% 2835 - £270.7 (Aug 1)

12% 2840 - £271.7 (Aug 1)

12% 2845 - £272.7 (Aug 1)

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12% 2855 - £274.7 (Aug 1)

12% 2860 - £275.7 (Aug 1)

12% 2865 - £276.7 (Aug 1)

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12% 2875 - £278.7 (Aug 1)

12% 2880 - £279.7 (Aug 1)

12% 2885 - £280.7 (Aug 1)

12% 2890 - £281.7 (Aug 1)

12% 2895 - £282.7 (Aug 1)

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12% 2975 - £298.7 (Aug 1)

12% 2980 - £299.7 (Aug 1)

12% 2985 - £300.7 (Aug 1)

12% 2990 - £301.7 (Aug 1)

12% 2995 - £302.7 (Aug 1)

12% 3000 - £303.7 (Aug 1)

12% 3005 - £304.7 (Aug 1)

12% 3010 - £305.7 (Aug 1)

12% 3015 - £306.7 (Aug 1)

12% 3020 - £307.7 (Aug 1)

12% 3025 - £308.7 (Aug 1)

12% 3030 - £309.7 (Aug 1)







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## FINANCIAL TIMES WEEKEND AUGUST 10/AUGUST 11 1991

SWEDEN (continued)

**AMERICA**  
**Production**  
**figure**  
**move**

**Wall Street**

**SHARE PRICES** were changed in moderate, prevailing, morning, in some spot, flows on the which heightened speculation of an imminent recovery. J. P. Morgan's *Wall Street Journal* said:

By 1:30 p.m. the Dow Industrial Average was at 3,013.21, having set its first bar of the day at 3,000. The more bickering among the more standard & poor's equally becalmed, as the Nasdaq composite of over-the-counter stocks fell 20.64. Volume was 569,191,000 shares with declines in 141 issues by 516 to 3,740. The good news on the day was a 3.02 per cent daily production price. A 1.01 per cent rise in energy; component 3.2 per cent last month; and were in line with expectations and consistent with the industry's prediction the economy have accelerated since the start of recession last year.

The inflation data that will raise hopes that full recovery would outflung rate from its level of 5.5 per cent, close to the Fed interest rate that a discount rate in the pipeline. The 3.4 per cent, 12-month, Treasury bill, 4.2% short-term, and, analysts say that share price remain stuck around 30% levels until the Fed takes action to stimulate the economy.

**Individual**

**General** bucked the trendline in 1985 after the manufacturer announced it was planning to pursue itself into smaller concern about the contrar sales in the US on the big three motor cars.

**General** dropped 8.8% on volume of 1985. Ford eased 3 1/2% on shares, and GM reduced 1% be the wiser

**ASIA PACIFIC**  
**Volume**

Parcel Centre ..... 240 ..... -05  
 Henderson Inn ..... 267 ..... -05  
 ..... 13 ..... -05

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# WORLD STOCK MARKETS

## AMERICA Producer prices figure fails to move equities

### Wall Street

SHARE PRICES were little changed in moderate trading yesterday morning. In spite of some good news on inflation which heightened speculation of an imminent interest rate cut, **Patrick Harverson** in New York.

By 1.30 pm the Dow Jones Average was up 1.35 at 3,015.21, having spent the first half of the day virtually unchanged from the overnight close. The more broadly based Standard & Poor's 500 was easily becalmed, ending just 0.79 to 388.53 by 1 pm, while the Nasdaq composite, over the counter stocks fell 0.55 to 508.54. Volume was 88m shares by 1 pm, with declines outweighing rises by 815 to 974.

The good news on inflation was a 0.2 per cent decline in July producer prices. Although core prices - minus the food and energy component - rose 0.2 per cent last month, the figures were in line with market expectations and confirmed that inflationary pressures in the economy have eased considerably since the start of the recession last year.

The inflation data immediately raised hopes that the Federal Reserve would cut the key discount rate from its present level of 5.5 per cent. Sources close to the Fed hinted yesterday that a discount rate cut is in the pipeline. The Fed's move, however, appears to have taken a firm hold in the stock market, and analysts predict that share prices will remain stuck around current levels until the Fed takes positive action to stimulate the stumbling economy.

Among individual stocks, Alcoa bucked the trend, rising 1/8 to 98 3/4 after the aluminium manufacturer announced that it was planning to reorganise itself into smaller units.

Concern about the outlook for car sales in the US weighed on the big three motor stocks. General Motors dropped 1/4 to 38 1/2 on volume of 1.2m shares, Ford eased 1/8 to 33 1/4 on 1.1m shares, and Chrysler, reckoned to be the weakest of

the three, shed 3/4 to 31 1/2. After two days of strong rises, Tennessee ran into early profit-taking. However, the stock's popularity in the wake of the appointment on Wednesday of a new president, who is expected to shake up the company's struggling divisions, kept it in evidence, and Tennessee recovered to end up 1/4 at 54 1/2 on 1.5m shares.

On the over-the-counter market, healthcare maintenance stocks fell after Merrill Lynch, the brokerage house, lowered its ratings on several of the sector's stocks, because of increased levels of competition in California. Worst hit were PMP International, down 1/2 to 20 1/2, United Healthcare, 1/2 lower at 49, and PacificCare Health, off 1/4 to 31 1/2.

Centocor slipped 1/4 to 32 1/2 after a second-quarter loss of \$2.95 a share, against a net gain of 1 cent a share a year earlier. The latest figures include a large charge related to the acquisition of a stake in Tocr.

### Canada

TORONTO hovered slightly above its session lows at midday, as the market consolidated its gains made earlier this week. The composite index lost 1.18 to 3,502.5, with transactions valued at C\$126.9m. Leading stocks ended with advances by 22 to 145.

National Trust topped the most active list with 1.4m shares traded. It fell 1/4 to C\$20 after a block of 1.3m shares was crossed at C\$20 each.

Among active issues, Campbell Redwood eased 2 cents to 42 cents, Toronto-Dominion was flat at C\$18 1/2 and Nova Corp rose 1/4 to C\$8.

### SOUTH AFRICA

JOHANNESBURG was quietly firmer in spite of downward pressure from a stronger financial rand. The all-share index added 10 to 3,490 as the industrial index crept up 22 to 4,107, but the all-gold index ended at 1,285, down 8.

## Weak oil and gas sector keeps brake on Toronto

Canada's resource-based economy is making life difficult for equity investors, writes Bernard Simon

CANADA'S stock markets have again proved that investors' joy can quickly turn to sorrow in a volatile, resource-based economy. While share prices on the broadly based New York Stock Exchange keep testing new records, investors 500 miles away in Toronto are nursing some painful bruises. The TSE 300 composite index remains stuck just above 3,500, still well below its August 1987 peak of 4,113. The Toronto 100, which broke through the 3,000 mark this week, is still in a slump.

Last Tuesday was a case in point. In contrast to Wall Street's surge in response to the cut in the Federal funds rate, Toronto was pulled down by the low gold price and continuing fears about the health of the forest products industry.

The gold mine index, at around 1,285, is now 28 per cent below its peak over the past year. Prices in the paper and jewelry sectors are down an average of 8.5 per cent from their 52-week high.

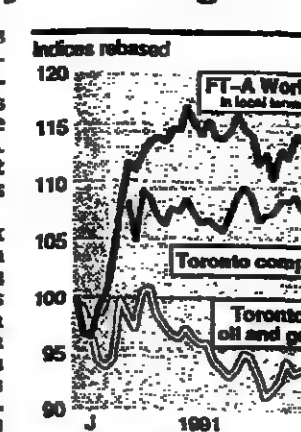
Of the toughest knocks, however, have been hit especially hard by the squeeze on refining and marketing margins. Only buyers paid C\$19 (US\$13) apiece

for 35.5m Petro-Canada shares in the first tranche of the Calgary-based company's privatization. Since then, Petro-Canada's newly listed shares have slumped to a low of C\$10.88. They were changing hands at C\$11.63 towards the end of this week.

The TSE's oil and gas index has lost a fifth of its value in less than a year. Canada's three integrated oil companies - Imperial Oil, Shell Canada and Petro-Canada - suffered a combined second-quarter loss of C\$22.3m. Imperial's C\$63m deficit was the first in the history of the 70 per cent-owned subsidiary of Exxon.

Little has gone right for western Canada's blue-eyed sheikhs this year. Oil prices are sloppy. The North American glut of natural gas continues driving prices down in the US. Prices in the oil and gas sectors are down an average of 8.5 per cent from their 52-week high.

The big integrated companies have been hit especially hard by the squeeze on refining and marketing margins. Only buyers paid C\$19 (US\$13) apiece



neries have higher operating costs than their US counterparts, and their output has been dented by the unexpected deep recession. Profits were further depressed by a price war earlier this year. Imperial Oil, for many years one of the most profitable of the TSE, is now estimated by some analysts to be substantially overvalued. Its present share price of C\$16.3 is more than nine times this year's projected cash flow, compared with the average multiple for US integrated oil companies of

five and a half times cash flow. Would-be stags who bought Petro-Canada shares last month in the hope of a quick profit are being told to remember that stock market investing is meant to be a long-term business.

The same advice is given to those who have put their money into other resource and gas issues. Enco, whose largest shareholder is the Montreal-based conglomerate, BCE, sold shares at a 1987 price of C\$10.50, a common share price then.

Enco's share price has tumbled to C\$11. The company's annual report has warned that its 1991 loss is likely to be bigger than last year's C\$7m. There are some bright spots amid the gloom, however. The rush by institutions last month to buy Hydro's 10 per cent stake in Enbridge, a common share price then, was a sign of things to come.

Canadian Occidental Petroleum is in the same category. Canoxy, 48 per cent owned by Occidental Petroleum of Los Angeles, derives more than a

fifth of its revenues from the North Sea and also has sizeable interests in the Middle East. The company's shares are currently trading within a whisker of their 52-week high of C\$23.50.

Most analysts are bullish about a number of aggressive, smaller companies. These producers are prospering by squeezing profits from properties discarded by the giants of the industry.

"They have a bunch of very talented young executives who are not afraid to go for it," says Mr Peter Carpenter, analyst at BMO Harris of Toronto.

Mr Michael Timms, president of Peters & Co, a Calgary-based securities firm, singles out - among others - Lasso Canada, Canadian Natural Resources, Dorset Exploration, Morgan Hydrocarbons and Intensity Resources.

record profits in 1993. Mr Robinson is confident that a turnaround in demand, an end to petrol price wars and tight cost controls will put Petro-Canada into the black as early as the third quarter.

The resource movers - either up or down - could be those with a heavy exposure to natural gas, such as BP Canada and North Canadian Oil.

Companies will benefit handsomely if oil prices rise. That environmental and security-of-supply concerns will make natural gas North America's favourite fuel in the 1990s. Mr Carpenter at McLean McCarthy notes that BP Canada's production could more than quadruple over the next five years.

North American "bubble", which proved more durable than anyone had predicted, finally burst. In spite of the fact that oil prices are still rising, demand for gas is still falling as more gas is brought on stream and more pipelines are built to carry it. The producers are crossing their fingers for a cold winter.

### EUROPE

## Investors retreat before Thursday's Bundesbank meeting

THERE WAS some interest in German stocks in the early part of the session, but with company results, few investors were willing to take the plunge. The DAX index, which had risen to 2,500, fell to 2,480 by midday.

Car shares advanced on expectations of a good rise in the July, Warburg, which has been the figures before their official release, said to be 78 per cent including east Germany - as confirmed by the AFH's General

index gained 6.00 to 1,086.20, for a fall on the week of 2.3 per cent. The DAX index rose 1.78 to 2,480.21 - ending the week barely changed - in a session of mixed fortunes.

Saga's shares were steady at NK\$5.5 while its free shares rose NK\$1.24 to NK\$6.74, before the company announced a profit of 1.1m on 12.5m shares. The company's shares were steady at NK\$5.5 while its free shares rose NK\$1.24 to NK\$6.74, before the company announced a profit of 1.1m on 12.5m shares.

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FT-SE Eurotrack 100 - Aug 9						
Hourly changes						
Open	10 am	11 am	Midday	1 pm	2 pm	3 pm
1109.29	1110.70	1110.70	1110.70	1110.67	1111.94	1111.45
1109.29	1110.70	1110.70	1110.70	1110.67	1111.94	1111.45
1109.29	1110.70	1110.70	1110.70	1110.67	1111.94	1111.45
1109.29	1110.70	1110.70	1110.70	1110.67	1111.94	1111.45
1109.29	1110.70	1110.70	1110.70	1110.67	1111.94	1111.45

end of market forecasts. News that trading companies Hagemeyer and International had merged into a single entity pushed Hagemeyer up 60 cents to FI 22 and International down FI 4.50 to FI 17.3.

KLM took a rest after Thursday's surge, following its first-quarter results, and eased 30 cents to FI 30.70. MADRID was discouraged by the Bank of Spain's half-yearly report, suggesting that the economy remained weak and that monetary policy would have to remain tight. The gen-

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1109.29	1110.70	1110.70	1110.70	1110.67	1111.94	1111.45
1109.29	1110.70	1110.70	1110.70	1110.67	1111.94	1111.45
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weighed on share prices. The Comit index fell 2.51 to 566.92, down 2 per cent on the week, in turnover estimated at near Thursday's level.

Flat fell LI05 or 1.7 per cent to L\$1,014, while Generali, officially listed lower at L\$1,270, climbed back to L\$1,400 after hours. Pirelli, the tyre and cable company, was supported by the recent news that Michelin of France and Continental of Germany would raise tyre prices. The stock rose 1.21 higher to L\$1,981, and rose to L\$2,000 after hours.

PARIS finished slightly lower after another day of narrow-range trading. The CAC 40 index fell 5.95 to 1,783.54, for a rise of 1 per cent on the week. Turnover was similar to Thursday's modest FF1.5bn. Thomson-CSF, its defence electronics group, rose FF2 or 1.5 per cent to FF131.60 on volume of 128,600 shares, after its recent weakness.

## ASIA PACIFIC Volume stays below 200m for sixth session

TOKYO stayed below 200m shares for the sixth consecutive trading day yesterday, while prices remained in a narrow range in thin summer trading, writes Neil Weinberg in Tokyo.

The Nikkei average fell 47.84 to 23,434.62, down 2.5 per cent on the week. It hit a high of 23,593.09 and a low of 23,372.74 amid several rounds of index-linked trading in an otherwise trendless market. A total of 170m shares changed hands.

Declines led advances by 704 to 228 with 164 issues unchanged. The Toxix index of all first section shares shed 10.45 to 1,804.81 and the second section 19.62 to 3,016.05, while in London, the ISE100 50 index fell 0.95 to 1,369.85.

Prices rose markedly at the opening on arbitrage-linked buying, after a sharp drop late on Thursday afternoon when August index options expired. However, the market then fell back in light volume.

Although prevailing market sentiment is bearish, Mr Peter Tucker, Elliott Advisors' international strategist,

pointed out that the yen and bond markets were strong, and Tokyo continued to lag behind gains in the New York and London markets.

Oil, gas and power utility stocks retreated after posting gains earlier in the week. Show Shell Securities fell 780 to Y1,740. Osaka Gas Y1 to Y235 and Tokyo Electric Y20 to Y2,520.

Machine tool makers also suffered selling pressure from a report that June orders declined 18.9 per cent. Fannie fell Y160 to Y4,730 and Mori Seiki lost Y30 to Y2,760. Electronics and high-technology issues continued to decline, with Toshiba off Y12 to Y710 and Pioneer Y100 to Y3,610.

Toyota Motor declined Y30 to Y1,610 on a local press report that its pre-tax profits fell 22 per cent in the year through June.

Small-capital shipbuilders rose after a press report that demand for double-hull vessels will keep them operating at full capacity until the year 2000. Namura Shipbuilding rose Y30 to Y1,760.

gained Y14 to Y296 on a three-month margin trading balance. In Osaka, the OSE average fell 1.11 to 25,618.84. Shimano lost Y120 to 2,070.

Roundup  
PACIFIC Rim markets were mostly higher yesterday, but Hong Kong was again unmoved by worries. Singapore was closed.

HONG KONG fell as the current spate of banking rumours continued, this time culminating in a run on local Standard Chartered branches.

Hang Seng index dropped 22.55 to 4,024.01 - a fall on the week of 0.3 per cent - but closed 100 points higher than its opening level.

TAIWAN jumped 5.7 per cent, as plastics shares responded to this week's news that Formosa Plastics will go ahead with building a US\$3.5bn petrochemical complex in Taiwan. Formosa Plastics rose T\$3.5 or 6.9 per cent to T\$45.4.

the week 0.8 per cent, as turnover grew to T\$38.3bn from T\$30.4bn.

AUSTRALIA saw News Corp surge 48 cents or 5.5 per cent to A\$9.24, after support in the US and on news that its unit will sell off three magazines for \$11m to News International. The All Ordinaries index rose 4.5 to 1,584.1, this changed on the week. Turnover fell to A\$200m from A\$242m.

KUALA LUMPUR recouped its early losses to end higher, after nine successive days of losses. Cautious bargain-hunting lifted the composite index by 0.55 to 585.43, but it ended the week 5.7 per cent lower.

SEOUL recovered from two days of declines on buying interest in insurance and banking. The composite index closed 1.8 higher at 745.13, up 1.7 per cent on the week. Turnover rose to Won\$44bn from Won\$37bn.

MANILA continued its mixed, on continued concern over the future of US military bases in the Philippines. The index declined 11.48 to 975.37, down 5.6 per cent on the week. Turnover fell to 76.5m pesos from 111.1m.

### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited. Mackintosh in conjunction with the Institute of Actuaries and the Faculty of Actuaries

THURSDAY AUGUST 8 1991										WEDNESDAY AUGUST 7 1991										DOLLAR INDEX					
NATIONAL AND INTERNATIONAL MARKETS												NATIONAL AND INTERNATIONAL MARKETS													
US Dollars in parentheses show number of lines												US Dollars in parentheses show number of lines													
US Dollar Index	This Change %	Year Index	Old Index	% chg on day	Over. Diff.	US Dollar	Pound	Year Index	Old Index	Local Currency	1991 Avg	1991	Year Index	Old Index	1991 Avg	1991									
Australia (68)	151.23	-0.2	132.01	135.55	-0.2	1.81	111.08	131.11	152.29	151.13	155.92	117.38	222.37	117.38	222.37	155.92									
Austria (20)	174.74	-0.1	162.53	156.83	-0.8	1.81	111.08	152.29	151.13	155.92	117.38	222.37	117.38	222.37	155.92	250.44									
Belgium (45)	132.26	-0.2	115.45	114.71	118.55	-0.1	1.11	133.02	117.11	117.11	117.11	117.11	117.11	117.11	117.11	117.11									
Canada (114)	139.10	-0.3	225.67	221.85	-0.1	2.10	120.71	225.05	223.36	223.36	223.36	223.36	223.36	223.36	223.36	217.74									
Denmark (37)	100.35	-0.8	225.79	221.85	-0.4	2.10	120.71	225.05	223.36	223.36	223.36	223.36	223.36	223.36	223.36	217.74									
Finland (10)	100.35	-0.7	87.59	86.59	87.53	-0.3	2.10	120.71	225.05	223.36	223.36	223.36	223.36	223.36	223.36	147.40									
France (105)	132.67	-0.5	115.90	114.21	122.11	-0.4	2.51	109.23	94.48	93.78	97.11	97.11	125.35	102.03	102.03	111.33									
Germany (65)	106.60	-0.4	147.58	145.83	151.34	-0.4	2.14	109.23	94.48	93.78	97.11	97.11	125.35	102.03	102.03	111.33									
Hong Kong (55)	106.60	-0.4	147.58	145.83	151.34	-0.4	2.14	109.23	94.48	93.78	97.11	97.11	125.35	102.03	102.03	111.33									
Ireland (18)	154.98	-0.7	134.92	133.36	138.54	-0.6	3.58	155.70	136.42	136.42	141.99	141.99	162.32	162.32	162.32	177.40									
Japan (71)	74.92	-1.0	65.40	64.84	67.15	72.24	-0.1	3.24	75.86	147.19	147.19	147.19	112.92	112.92	112.92	111.33									
Malaysia (58)	214.65	-2.4	193.76	192.45	192.38	225.91	-2.3	2.69	188.64	190.14	188.64	190.14	188.64	190.14	188.64	190.14									
Mexico (16)	103.67	-1.9	113.76	112.38	112.38	225.91	-2.3	2.69	188.64	190.14	188.64	190.14	188.64	190.14	188.64	190.14									
Netherlands (14)	139.80	-1.4	121.86	120.45	121.86	111.00	-1.8	1.51	1114.00	121.86	121.86	121.86	900.38	907.96	907.96	934.45									
New Zealand (14)	47.59	-0.1	41.54	41.54	123.03	-0.7	0.51	47.63	41.54	41.54	41.54	41.54	41.54	41.54	41.54	41.54									
Norway (32)	202.46	-1.0	176.74	174.71	181.49	-0.8	2.18	171.08	171.08	171.08	171.08	171.08	223.24	162.24	162.24	242.32									
South Africa (51)	151.08	-0.7	176.74	174.71	181.49	-0.8	2.18	171.08	171.08	171.08	171.08	171.08	223.24	162.24	162.24	242.32									
Spain (54)	188.32	+0.3	176.74	174.71	181.49	-0.8	2.18	171.08	171.08	171.08	171.08	171.08	223.24	162.24	162.24	242.32									
Sweden (29)	188.32	+0.3	176.74	174.71	181.49	-0.8	2.18	171.08	171.08	171.08	171.08	171.08	223.24	162.24	162.24	242.32									
Switzerland (58)	30.71	-1.0	81.80	80.80	84.01	87.67	-0.6	2.55	167.81	82.46	81.28	108.97	173.22	146.80	146.80	218.08									
United Kingdom (240)	178.31	-0.1	153.90	152.11	153.90	+0.2	3.07	177.85	153.90	152.40	152.40	153.97	188.44	158.27	158.27	188.31									
USA (527)	157.93	-0.2	137.86	138.61	141.58	157.93	-0.2	4.78	177.85	153.94	153.94	157.93	153.91	153.91	153.91	125.86									
Australia (68)	151.23	-0.2	132.01	135.55	-0.2	1.81	139.50	121.01	121.00	124.38	123.28	161.52	125.00	147.40	147.40	147.40									
Austria (20)	174.74	-0.1	162.53	156.83	165.29	-0.1	3.97	139.50	163.08	161.84	167.81	165.39	200.81	165.55	165.55	217.74									
Belgium (45)	132.26	-0.2	115.45	114.71	114.28	-0.1	1.11	133.02	117.11	117.11	117.11	117.11	117.11	117.11	117.11	117.11									
Canada (114)	139.10	-0.3	225.67	221.85	221.85	-0.1	2.10	120.71	225.05	223.36	223.36	223.36	223.36	223.36	223.36	217.74									
Denmark (37)	100.35	-0.8	225.79	221.85	221.85	-0.1	2.10	120.71	225.05	223.36	223.36	223.36	223.36	223.36	223.36	217.74									
Finland (10)	100.35	-0.7	87.59	86.59	87.53	-0.3	2.10	120.71	225.05	223.36	223.36	223.36	223.36	223.36	223.36	147.40									
France (105)	132.67	-0.5	115.90	114.21	122.11	-0.4	2.51	109.23	94.48	93.78	97.11	97.11	125.35	102.03	102.03	111.33									
Germany (65)	106.60	-0.4	147.58	145.83	151.34	-0.4	2.14	109.23	94.48	93.78	97.11	97.11	125.35	102.03	102.03	111.33									
Hong Kong (55)	106.60	-0.4	147.58	145.83	151.34	-0.4	2.14	109.23	94.48	93.78	97.11	97.11	125.35	102.03	102.03	111.33									
Ireland (18)	154.98	-0.7	134.92	133.36	138.54	-0.6	3.58	155.70	136.42	136.42	141.99	141.99	162.32	162.32	162.32	177.40									
Japan (71)	74.92	-1.0	65.40	64.84	67.15	72.24	-0.1	3.24	75.86	147.19	147.19	147.19	112.92	112.92	112.92	111.33									
Malaysia (58)	214.65	-2.4	193.76	192.45	192.38	225.91	-2.3	2.69	188.64	190.14	188.64	190.14	188.64	190.14	188.64	190.14									
Mexico (16)	103.67	-1.9	113.76	112.38	112.38	225.91	-2.3	2.69	188.64	190.14	188.64	190.14	188.64	190.14	188.64	190.14									
Netherlands (14)	139.80	-1.4	121.86	120.45	121.86	111.00	-1.8	1.51	1114.00	121.86	121.86	121.86	900.38	907.96	907.96	934.45									
New Zealand (14)	47.59	-0.1	41.54	41.54	123.03	-0.7	0.51	47.63	41.54	41.54	41.54	41.54	41.54	41.54	41.54	41.54									
Norway (32)	202.46	-1.0	176.74	174.71	181.49	-0.8	2.18	171.08	171.08	171.08	171.08	171.08	223.24	162.24	162.24	242.32									
South Africa (51)	151.08	-0.7	176.74	174.71	181.49	-0.8	2.18	171.08	171.08	171.08	171.08	171.08	223.24	162.24	162.24	242.32									
Spain (54)	188.32	+0.3	176.74	174.71	181.49	-0.8	2.18	171.08	171.08	171.08	171.08	171.08	223.24	162.24	162.24	242.32									
Sweden (29)	188.32	+0.3	176.74	174.71	181.49	-0.8	2.18	171.08	171.08	171.08	171.08	171.08	223.24	162.24	162.24	242.32									
Switzerland (58)	30.71	-1.0	81.80	80.80	84.01	87.67	-0.6	2.55	167.81	82.46	81.28	108.97	173.22	146.80	146.80	218.08									
United Kingdom (240)	178.31	-0.1	153.90	152.11	153.90	+0.2	3.07	177.85	153.94	153.94	157.93	153.91	153.91	153.91	125.86	188.31									
USA (527)	157.93	-0.2	137.86	138.61	141.58	157.93	-0.2	4.78	177.85	153.94	153.94	157.93	153.91	153.91	153.91	125.86	188.31								
Australia (68)	151.23	-0.2	132.01	135.55	-0.2	1.81	139.50	121.01	121.00	124.38	123.28	161.52	125.00	147.40	147.40	147.40									
Austria (20)	174.74	-0.1	162.53	156.83	165.29	-0.1	3.97	139.50	163.08	161.84	167.81	165.39	200.81	165.55	165.55	217.74									
Belgium (45)	132.26	-0.2	115.45	114.71	114.28	-0.1	1.11	133.02	117.11	117.11	117.11	117.11	117.11	117.11	117.11	117.11									
Canada (114)	139.10	-0.3	225.67	221.85	221.85	-0.1	2.10	120.71	225.05	223.36	223.36	223.36	223.36	223.36	223.36	217.74									
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Finland (10)	100.35	-0.7	87.59	86.59	87.53	-0.3	2.10	120.71	225.05	223.36	223.36	223.36	223.36	223.36	223.36	147.40									
France (105)	132.67	-0.5	115.90	114.21	122.11	-0.4	2.51	109.23	94.48	93.78	97.11	97.11	125.35	102.03	102.03	111.33									
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Japan (71)	74.92	-1.0	65.40	64.84	67.15	72.24	-0.1	3.24	75.86	147.19	147.19	147.19	112.92	112.92	112.92	111.33									
Malaysia (58)	214.65	-2.4	193.76	192.45	192.38	225.91	-2.3	2.69	188.64	190.14	188.64	190.14	188.64	190.14	188.64	190.14									
Mexico (16)	103.67	-1.9	113.76	112.38	112.38	225.91	-2.3	2.69	188.64	190.14	188.64	190.14	188.64	190.14	188.64	190.14									
Netherlands (14)	139.80	-1.4	121.86	120.45	121.86	111.00	-1.8	1.51	1114.00	121.86	121.86	121.86	900.38	907.96	907.96	934.45									
New Zealand (14)	47.59	-0.1	41.54	41.54	123.03	-0.7	0.51	47.63	41.54	41.54	41.54	41.54	41.54	41.54	41.54	41.54									
Norway (32)	202.46	-1.0	176.74	174.71	181.49	-0.8	2.18	171.08	171.08	171.08	171.08	171.08	223.24	162.24	162.24	242.32									
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Switzerland (58)	30.71	-1.0	81.80	80.80	84.01	87.67	-0.6	2.55	167.81	82.46	81.28	108.97	173.22	146.80	146.80	218.08									
United Kingdom (240)	178.31	-0.1	153.90	152.11	153.90	+0.2	3.07	177.85	153.94	153.94	157.93	153.91	153.91	153.91	125.86	188.31									
USA (527)	157.93	-0.2	137.86	138.61	141.58	157.93	-0.2	4.78	177.85	153.94	153.94	157.93	153.91	153.91	153.91	125.86	188.31								
Australia (68)	151.23	-0.2	132.01	135.55	-0.2	1.81	139.50	121.01	121.00	124.38	123.28	161.52	125.00	147.40	147.40	147.40									
Austria (20)	174.74	-0.																							

### LONDON SHARE SERVICE

BRITISH FUNDS			
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RENTAL

LEISURE

### INDUSTRIALS (Miscel.)—Contd.

**Garages and**

**NEWSPAPERS.**

**PAPER, PRINTING**

**ADVERTISING**

41. University of California  
42. University of California  
43. University of California  
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# FINANCIAL TIMES

Weekend August 10/August 11 1991

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The name that means the name

## Share service chief criticises choice of eight preferred retailers

# BT sell-off plan reported to OFT

By Roland Rudd and Paul Abrahams

UK GOVERNMENT plans to use eight preferred retailers to issue the second tranche of BT's flotation have been reported as a breach of competition law.

Following the disclosure in the Financial Times of a radical scheme to privatise part of BT's 47.8 per cent shareholding in November, a specialist share service company yesterday lodged an appeal with the OFT.

In a letter to Gordon Bore, OFT director general, Mr Gavin Oldham, chief executive

of the Share Centre, which operates a specialist share service, Mr Sheen, Surrey, accused the government advisers of "disgraceful behaviour" in excluding smaller organisations from the sale.

Mr Oldham said: "Retail share services are already heavily concentrated in very few hands, and it is amazing that after all the statements made about the level for fair initiatives the government is continuing to consolidate control in so few hands."

The government is to invite the public to pre-register

directly through eight preferred retailers, including the four main clearing houses. The public will then receive an application form and lodge their applications in high street share shops belonging to these preferred retailers.

The proposals also came under attack from Mr John Cobb, chairman of the Association of Private Client Investment Managers and Stockbrokers. He said an investor must have the option of using an existing stockbroker or other financial adviser as part of the "preferred" route. Cutting

such advisers was no way to promote wider, deeper and longer share ownership, he said.

Government advisers yesterday denied that Treasury's plans were a breach of competition since the broker or specialist share group could apply to become an approved manager, provided a person who applies for, or holds, interim rights or shares in BT for the benefit of clients.

It argued that eight retailers formed an adequate number to create genuine competition. It said it was also confident that organisations other than the

preferred retailers would be able to become involved in the issue. The plans determined the government's determination to boost the number of small shareholders and increase the proportion of shares held by them rather than the large institutions, it said.

The number of individual shareholders increased in nearly 10m by the end of last year, but the value of such shareholdings declined from 10 per cent of the total market value in 1963 to 21 per cent in 1989.

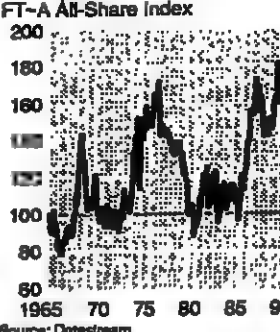
Nagging doubt, Page 7

## Marking time in London

FT-SE Index: 2,570.5 (-30)

### Unilever

Share price (1985-90) to 100



Yesterday's 30-point fall in the FT-SE seems confirmation that the market is in no mood to break decisively through 2,600. The worry is that while there is no obviously compelling reason to sell at the moment, there is a dearth of good news on which to buy. The sharp fall in the market may be a sign of a more general loss of confidence in the City. The market may be a sign of a more general loss of confidence in the City. The market may be a sign of a more general loss of confidence in the City.

Source: Datastream

This in turn suggests that the remarkable re-rating enjoyed by the market through the last three years may be over for the time being. As yesterday's 755p, the market is at a slightly above-average multiple of 12.5 for the current year. Merit year earnings growth, the product of the aforesaid Anglophone recovery, may have been a little better than average. The company's formidable record of real long-term growth makes it an excellent investment for the long term. There may be a little more to hope for.

### Investment trusts

The role of investment capital in sparking an economic revival 10 years ago was doubtless overplayed at the time, but it was real enough all the same. It is therefore hardly surprising that the shares of investment trusts specialising in unquoted companies should have been so starkly underperformers in recent months. At the end of the last cycle, placards of Americans on Britain to preach the virtues of risk investment. A decade later it is the excesses of the game and the excesses of a bloated industry which are in public display.

Investors in the worst hit trusts such as Ensign, Drayton Consolidated - where the discount is still over 50 per cent - might - and are the once all-conquering Electra - accept at least part of the blame. If you cannot see the downside, do not punt on the upside.

On the other hand, while the institutions have pushed trust managers to design more exotic investment vehicles in recent years, it is not altogether clear that individuals are the same. It is certainly a disgrace, for example, that

trust savings schemes do not always carry prime health warnings or profiles of the underlying investments.

The main problem, though, is disclosure. Six-monthly audits may be impractical and expensive. But it is ridiculous that valuations of unquoted portfolios cannot be standardised. According to James Capel, of nine companies jointly held by Unilever and Murray Ventures - at the moment, eight carry different valuations in the latest accounts of the firm. The latest valuations will hardly please a shareholder who will double the size of the quoted venture capital fund. The hope is that it will set standards which others will have to follow.

### Share ownership

In seeking to revive the idea of wider share ownership with the forthcoming BT sale, the government is taking a dead horse. According to its own data, the public owns the meagre proportion of private shares - just over 10 per cent - as it does of the market as a whole. Despite all the government's efforts, interest in providing share dealing services for the wider public seems to be at rock bottom, not only in the upper echelons of the stock exchange but probably also among clearing banks, which on the face of it are best fitted for the job. On simple commercial grounds it is hard not to sympathise. If the mass marketing of shares at a discount in the roaring eighties could not turn the average punter into a long-term equity holder, it is hard to see what will do the trick in the drabber nineties.

### Tranwood

Yesterday's news from Tranwood is like a last echo from a vanished age. Tranwood, it will be recalled, is the vehicle of Mr Peter Earl, who envisaged the late 1980s with such exuberance as his failed £200m bid for Storehouse. The company is now embarrassed for a mere £2m, which the banks are not willing to pay for the company's investment portfolio. Given that Storehouse is worth less than a quarter of what Mr Earl bid for it, it is hard to see what will do the trick in the drabber nineties.

## Yugoslav authorities agree to talks

By Ariane Genillard in Prague, David Gardner in Brussels, David [unclear] in Bonn, and Judy Dempsey in London

THE Yugoslav authorities yesterday agreed to an emergency meeting of the 35-member Conference on Security and Cooperation in Europe (CSCE) to begin negotiations on the future of Yugoslavia.

The move may signal a breakthrough in attempts to resolve the country's worst crisis since the Second World War.

The announcement, made in a statement at the end of a two-day meeting in Prague, immediately supported by the CSCE, which said "it was prepared to offer its good offices in order to facilitate such negotiations".

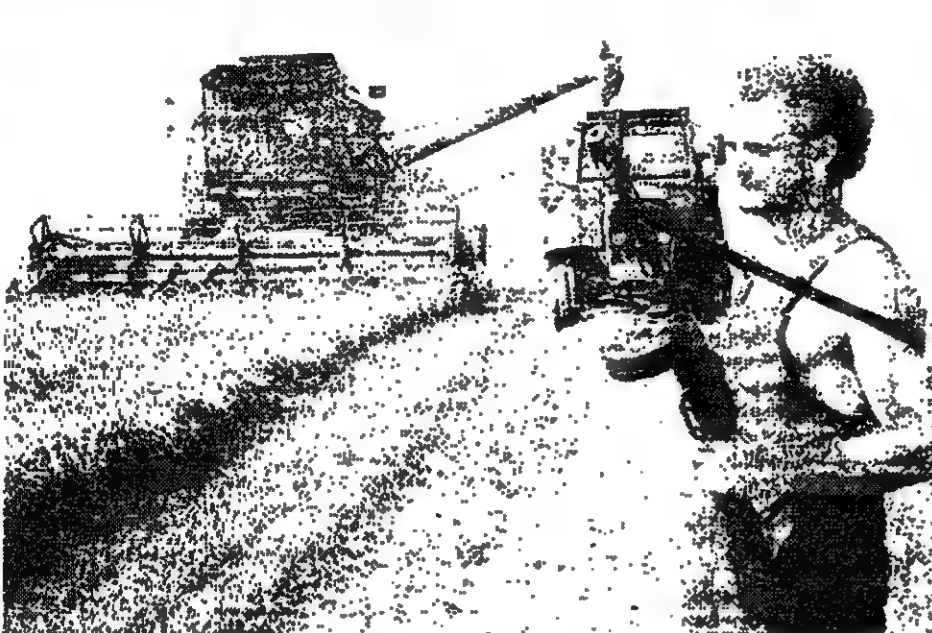
"The CSCE supports strongly the intention of the Yugoslav authorities to begin these negotiations as soon as possible, and no later than August 15," the statement said.

However, there are doubts whether all the political leaders in Yugoslavia will agree to negotiate the future of the country's internal borders.

The CSCE statement, which made no reference to the republics of Slovenia and Croatia, which declared independence on June 25, "the use of force to achieve political objectives is inadmissible".

It said "the CSCE insists strongly that all parties (in Yugoslavia) act in full respect for all human rights, including the rights of national minorities".

At the time, the CSCE backed initiatives of the European Community, whose most recent attempt at mediating in the crisis, through providing



Bitter harvest: A soldier stands guard on farm land as crops are gathered in Slavonia

monitors for a ceasefire, broke down last weekend because of Serbia's intransigence.

In Brussels, the European Commission yesterday presented to member states its "inventory" of possible ways in which more than \$1bn (£500m) in frozen EC aid for Yugoslavia might be released selectively to those republics co-operating with its mediation efforts.

Several EC diplomats and officials were sceptical about the exercise, called for by foreign ministers of the Twelve at Tuesday's emergency meeting in The Hague.

Decisions on what, "if any", aid will be unfrozen could be slow to emerge, senior diplomats warned.

Though this of selective aid disbursement would amount to a targeted sanction on Serbia to punish its expansionism, it would also push the EC towards recognising de facto Slovenia and Croatia as independent states.

The majority of member states do not share Germany's enthusiasm for early recognition, but, as one senior EC diplomat warned, "the more you go down the road of differentia-

tion between the republics, the more recognition raises its head".

Yesterday, the Commission announced that it would reopen export credit guarantees for Slovenia and, as far as possible, for Croatia, as a means of adding pressure on Serbia.

German export credits for the whole of Yugoslavia were suspended some months ago because of the deteriorating political and economic situation.

... tales, Page 7

## City blaze may mean record loss for insurers

By Richard Lapper

WEDNESDAY'S fire at the London Underwriting Centre has produced one of the biggest fire losses yet for British insurers.

Royal Insurance, the insurer most heavily involved in covering the project, yesterday expected the loss to be between £10m and £20m, with its own net loss totalling about £4m of that.

Other underwriters are more pessimistic and - on the basis of preliminary reports by loss adjusters - believe the total loss could reach £55m.

The fire will be the industry's biggest loss since a blaze at a potato crisp factory at Corby in Northamptonshire in September 1988 led to claims of £55m.

Wednesday's conflagration at No. 3 Market Court burned for four hours, destroying fittings including electrical equipment and a block of free-standing escalators.

Large quantities of timber, aluminium and plastics being used by contractors contributing to the fire's intensity.

A preliminary report by loss adjusters suggests that damage to the building's core could be £25m, while the fittings and contents could be replaced.

Building and fittings were on separate policies co-written by a number of UK and European insurers led by Royal.

Uncertainty surrounds the potential losses arising from business interruption. Both Market Building, the service company formed by all insurers that developed the centre, and Prudential Corporation, which was the building, understood to have insured the project against loss of profits arising from delays.

The centre's opening, which had been scheduled for next March, will be delayed by at least six months. If, as Prudential will presumably be asked to do, on their loss of profits policies for lost rental income. More than 100 companies have agreed to take space in the building.

The fire is further fuel for the insurance sector, which has been battered by competitive pricing and mounting claims.

One of the UK's five leading composite (life and general) insurance companies expects to record heavy pre-tax losses in 1991.

## Hong Kong

Continued from Page 1

handing of the BCCI affair. Depositors in Bank of Credit and Commerce (Hong Kong) are angry because the government tried to keep local banks open after regulators around the world closed the rest of the group.

When the Hong Kong authorities were asked to close the bank, depositors said they had been cheated.

Government officials suspect the rumours are being started by parties close to BCCI, possibly in Pakistan, and aimed at discrediting western banks, or by local depositors in BCCI(HK) trying to get back at the government.

Unfortunately for the officials, there is evidence except a series of anonymous phone calls to newspapers and an unsigned letter telling people to withdraw money from foreign banks.

## Trade invades Stalin memorial

By John Lloyd in Moscow

ONE of the most famous monuments of the Stalinist era, built to celebrate and display the techniques and products of the Soviet age, is to be turned into a vast commodity exchange to boost the transition to a market economy.

The Exhibition of National Economic Achievement, a series of Stalinist pavilions in a vast park just off Peace Avenue in the north of Moscow, is to become an exchange centre, after a decision by the Cabinet of Ministers.

The exhibition itself will be transformed into a joint stock company, probably with the participation of the existing exchanges and government agencies, and with rights given to Soviet republics to lease space for exchanges specialising in their goods.

At a meeting Thursday with representatives of the commodity exchanges, Mr Vladimir Shcherbakov, the first deputy prime minister and economics minister, said government agencies should co-operate with the exchanges, which increasingly handle a number of goods in short supply. The exchange movement has, over the past year, grown to a network of 370, selling oil, chemicals, paper, trucks and grain.

The disappearance of Gosnab, the state agency which allocated materials to enterprises, and the dismantling of wholesale trade, have created a huge vacuum within which commodity exchanges are operating at high levels of profitability. Mr Vladimir Berger, the economics commentator of the newspaper Izvestia, estimated

this week that in 1991, 50 per cent of oil and metals and 30 per cent of farm produce, including grain, will be handled by the exchanges.

Shcherbakov told the exchanges' representatives that they should help to finance, with the state, the establishment of commercial information systems which could link the various exchanges, and also connect them with international commodity and other exchanges. Western communications companies have already expressed interest in such a venture.

The replacement of the now rather meagre displays of nomic achievements with the bustle of the fledgling Soviet exchange culture will be the most dramatic clash of ideological styles, even in a country replete with such contrasts.

## Hostage hopes fade

Continued from Page 1

"We call on those who detained this French doctor, whatever group they belong to, set him free because we want to close this whole file," he said in a statement yesterday in a mosque in Beirut's southern suburbs.

Mr Perez de Cuellar added yesterday that "if necessary he would be in touch with the Israeli authorities. He said his concern was 'the release of all detainees, including those who are in Israel and those who are in Lebanon'."

Mr Douglas Hogg, British Foreign Office minister, yesterday called in Mr Nathan Meron, the minister at the Israeli embassy, to discuss the release of all hostages and those unjustly held.

The US is publicly staying on the sidelines, but its policy

of urging the release of all those who have not been charged with a specific crime covers not only the western hostages but also the Lebanese in Israel.

The White House stressed yesterday that the US did not make deals with hostage-takers. "We do not negotiate with kidnappers. Similarly, we are putting pressure on all countries to do so." The latter is a reference to suggestions of informal pressures on Israel to release the detained Lebanese.

Israel yesterday denied that it was ready to release more than 100 Lebanese prisoners, but only if seven Israeli servicemen captured in action are included in any deal. Mr Uri Lubrani, Israeli official responsible for Lebanese hostage negotiations, said yesterday that about 40

Lebanese prisoners were held as a goodwill gesture several months ago, but they are all available.

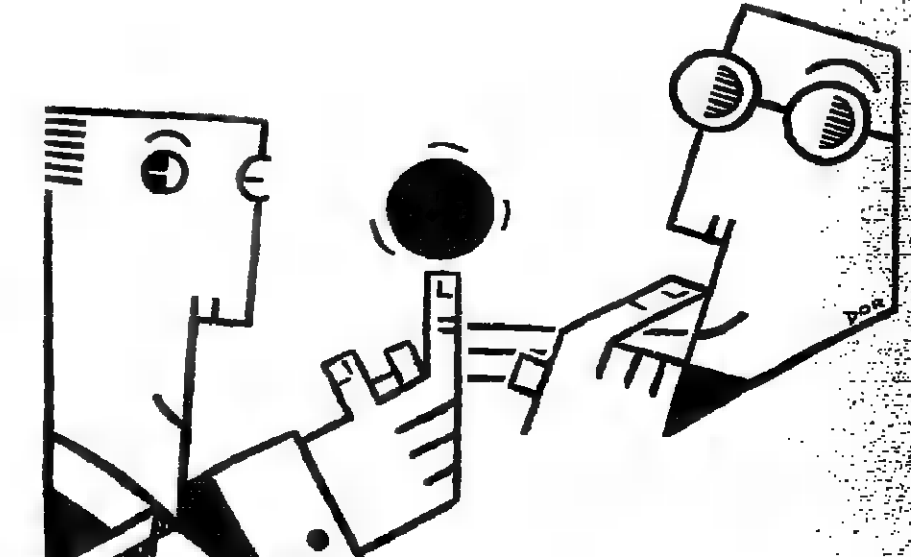
There would be further such gestures without conditions on the part of those holding the Israelis, he said.

Israeli officials say that one of their captives, including Sheikh Abdul-Karim Obeid, the Hizbullah leader kidnapped from his home by Israeli forces in Lebanon, is responsible for many of the deaths.

The Israeli army announced two years ago that Obeid had confessed to kidnapping two of its missing Israeli soldiers, to attacking Israeli forces in southern Lebanon and to abducting Col William Higgins, the US officer attached to a UN peacekeeping force who was later apparently hanged.

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### CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
AG Ind & Vark	840	+ 12	
Bayer	260	+ 18	
Bayer AG	730	+ 14	
Daimler-Benz	352	+ 14	
Deutsche Bank	308	+ 13	
Falck	—	—	6
New York (Dollars)			
Chrysler	12	- 3 1/2	
Ford	20 1/4	- 1 1/2	
IBM	31 1/4	- 1 1/2	
Motorola	38 1/2	- 1 1/2	
IBM	31 1/4	- 1 1/2	
United Hilti	49	- 2 1/2	
New York prices	12.20pm		
London (Pence)			
AIM	129	- 9	
Bentley	54 1/2	- 4	
Bentley	36 1/2	- 2 1/2	
Dyson Eyeglass	95	- 10	
Drayton Cons	212	- 16	
Hepworth	364	- 7	
Intercor	101	- 16	
News Int	135	- 5	
Worthington	47	- 5	
Paris (Francs)			
Bentley	54 1/2	- 4	
Bentley	36 1/2	- 2 1/2	
Dyson Eyeglass	95	- 10	
Drayton Cons	212	- 16	
Hepworth	364	- 7	
Intercor	101	- 16	
News Int	135	- 5	
Worthington	47	- 5	
Tokyo (Yen)			
Chrysler	12	- 3 1/2	
Ford	20 1/4	- 1 1/2	
IBM	31 1/4	- 1 1/2	
Motorola	38 1/2	- 1 1/2	
IBM	31 1/4	- 1 1/2	
United Hilti	49	- 2 1/2	
New York prices	12.20pm		

### WORLDWIDE WEATHER

Today: Most regions can expect a cloudy morning with a rain, but conditions should brighten in the afternoon. It will stay dull and damp in the south-west and around the west and very wet in Scotland and N Ireland. rain spreading southwards.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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## FINANCE AND THE FAMILY

Philip Coggan examines the pattern of directors' share transactions in their own companies and asks

# Does it pay to follow the piper's tune?

DO COMPANY directors know what they are doing? For the past year, the *Weekend FT* has been running a table that shows the transactions made by directors in their own companies' shares.

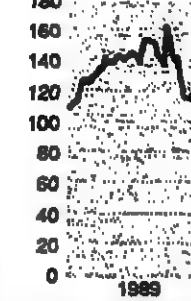
The aim was partly informative. These deals have to be declared to the Stock Exchange but they had not previously been gathered in one place.

The *Directus* service, based in Edinburgh, was able to collate the information. Readers were inevitably going to be tempted to use this information as a trading guide. Surely directors would be "in the know" about when their company was due to recover, or slump? A director purchases ought therefore to be a sign for outsiders to buy.

So how, as a trading guide, has it worked? As a crude test,

## Avesco

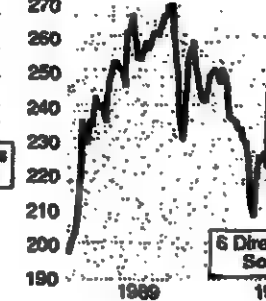
Share price (pence)



Source: Directus and Company

## Vesper Thornycroft

price (pence)



Source: Directus and Company

we assumed that an investor had bought all the shares mentioned as director purchases in our first table - published on July 28 1990 - and held them ever since.

The results are not prom-

ising. Assuming that the investor had acquired shares on the next trading day, the average loss has been 20.5 per cent, compared with a 5.1 per cent gain in the FT-All-share index over the same period.

Paradoxically, had the investor bought shares in the companies where the directors had sold, the average gain would have been 2.9 per cent. In case this was a rogue week, the same exercise was conducted on the second table, published on August 4. Here again, buying the shares which the directors sold has proved more profitable - up 9.9 per cent - than purchasing those where the directors had bought - up only 6.9 per cent - although both lag the All-Share.

Directus has always said that the table cannot be used in such a simplistic fashion. For a start, there is a crucial gap between the time the deal is done and the time they are published in the *Weekend FT*. In addition, a small purchase or sale by a single director may not be of any significance. An individual director may need to sell shares to meet a financial commitment such as a divorce; such a sale is not necessarily a sign of a loss of confidence in the company's prospects.

Similarly, a director exercising options will be recorded as a "purchase", even though such shares are often sold within a few weeks.

Remember, also, that directors are not in the way in which they can deal. The Stock Exchange's Model Code requires that they should not deal within a two month period in advance of the publication of the company's results. Nor should they deal "on considerations of a short term nature". And the law prohibits them from dealing on price-sensitive "insider" information, although this is obvi-

ously hard to define. So how does one separate the significant deals from the inconsequential? According to Directus, what counts is buying in unison and size. But even here there is a potential trap. One set of purchases by directors does not counteract a preceding deluge of sales - so one needs to examine the pattern of transactions carefully.

Directus can cite numerous examples of a pattern of sales and purchases being borne out by a subsequent change in share price. Take Fletcher King, the international advertising agent. Between early 1989 and July 1990, four directors sold shares at 150p and 155p. The share price has since slumped to 95p.

Or Microfilm Reprographics, where a whole series of sales by directors and their wives occurred in 1990, at prices between 235p and 255p. The share price has since fallen to 165p.

On the more positive side, seven directors of Unichem, the pharmaceutical waste-seller, bought shares in November 1990 at prices of 115p and 127p. That preceded a rally in the share price to 167p. And there has been a recovery to 165p.

There is also, Directus argues, something to be learnt from studying the actions of directors across the market. By looking at the ratio between director purchases and sales, one can glean something about their view on whether the market is correctly assessing the state of the economy.

Our table shows the ratio of director purchases to sales. As you can see, directors were most confident after the invasion of Kuwait, when share prices fell dramatically. That confidence continued through the New Year rally, but fell away once the market reached an all-time high. Interestingly, however, confidence has picked up in July, indicating that directors believe that the market is overvalued.

Whether or not directors will be proved prescient about the current state of the stock market, it is a statistic that the directors of their transactions are worth watching. But one example need not be followed with care; remember what happened to the rats who over-estimated the value of the Piel Piper...

## DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED IN USA)

Company	Shares	No.	Ratio
SALES			
Argus	178,884	550	2.7
Berry Brothers	16,000	25	1.6
Betterware Consumer	1,900,000	5,700	3.0
Bulfinch (HP)	200,000	500	2.5
CIA	25,000	32	1.3
Courtauld	40,000	175	4.4
Forbes	10,000	27	2.7
Fuller, Smith & T.	25,000	104	4.2
Highland Dairies	102,700	170	1.7
Highland Dairies	3,800	10	1.0
Marks & Spencer	367,359	1,132	3.1
McConnell	30,000	84	2.8
Merchant Retail	175,000	100	1.8
Mercury Asset Man.	30,000	370	12.3
Prigat Leisure	17,000	100	5.9
Racal Electronics	4,000	97	24.3
Smithline Bechem	92,172	765	8.3
Whitbread	38,100	191	5.0

PURCHASES	Shares	No.	Ratio
Albrighton	185,000	35	5.3
Amber Day	30,000	25	1.2
BET	25,000	51	2.0
Bridport Gundry	28,780	18	1.6
Cabra Estates	100,000	11	9.1
Capital Radio	117,000	198	1.7
Enso	40,000	12	3.3
Hedgely Inds.	28,000	28	1.0
Highland Dairies	210,000	34	6.2
Lowndes Lambert	30,000	91	3.3
Majed	15,688	45	3.5
River & Merc (Prof)	24,887	30	8.3
S & U Stores	10,000	12	0.8
Schweppes	10,000	18	1.1
TBS	10,000	18	1.1

Value expressed in 1000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (1) 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 29 July - 2 August 1991.

Source: Directus Ltd, Edinburgh

## The latest boardroom dealings

WHEN A company obtains a quotation, it is usual for the directors to reduce their holdings. If, on the other hand, they buy, this should be seen as extremely positive. Richard Shaw, chief executive of insurance group Lowndes Lambert, has bought 10,000 shares in the company.

However, when directors buy shares on their own account, it is not necessarily a sign of confidence in the company's prospects. The shares of construction group Albrighton, formerly the confectionery G F Lovell, have collapsed over the past two years. Directors have followed the recent company restructuring with small additions to their holdings.

In Betterware Consumer Products have proved very rewarding over the last two years, more than tripling in value. The recent sale by members of the Cohen family was substantial, although they retain 12m shares. Other directors were buying in June at a price not far below the current level.

Angus MacDonald, Directus Ltd.

## COMPANY PENSION

schemes are being forced to a bitter struggle with the government over proposed cuts to the rebate of National Insurance contributions for occupational and personal pensions contracted out of Serps.

The cuts are an essential part of a retrenchment programme for personal pensions to be announced this autumn by Tony Newton, Minister for Social Security. Cross-party pressure to slash the rebate intensified following reports which put the net cost of personal pensions to the National Insurance fund at £5.7bn.

The rebate is calculated as a percentage of earnings between the lower and upper NI contributions limits. For the 1991-92 tax year, these are £2,700 and £20,200 per annum. The current rebate for personal pensions is 8.47 per cent, which includes a 3 per cent "incentive".

## Company pensions rebate row

So far 4.5m personal pensions have been sold on the strength of this rebate. The rebate is likely to drop by a minimum of 3 per cent from April 1993, partly as a result of a cut in the basic level and partly as a result of the abolition of the incentive. But the cuts may be deeper and pension experts fear that if a heavily reduced rebate is applied to the occupational sector it will force many company schemes to abandon their contracted out status.

The heart of this debate is the basis on which the rebate is assessed. Since 1974, it has been based on the cost of replacing Serps benefits for the contracted out population of occupational schemes (now 10m).

To qualify, schemes must provide a guaranteed minimum pension (GMP) to replace the guaranteed pension they would have had under Serps. Personal pension providers do not have to give this guarantee.

Now the government is considering basing the rebate on the entire contracted out population, including the more youthful 4.5m personal pension market. Since Serps benefits increase with age, the younger profile of the personal pension sector will force down the overall rebate.

David Morgan, pensions manager at Lowndes Lambert, says: "Company pension schemes appreciate that as the cost of providing the GMP goes down, so too will the rebate. If these two factors stay in proportion

all will be well. But if the rebate takes account of the personal pension population, then we are very concerned that it will fall below the level at which we can meet the GMP obligation."

This point has been put forcibly to the Government Actuary by the sub-committee of the pensions industry's joint working group.

Alan Jenkinson, policy director at Noble Lowndes and chairman of the sub-committee, said: "We must have a realistic view of the pension industry's contracting out sensible by balancing the guaranteed benefits the scheme must provide, in return for the rebate. If we cannot have this, we will have to take a very hard look at the structure of schemes

and their functions."

One option would be for the industry to remain "in" to Serps and to provide benefits on top of the state scheme. Currently 1m employees in Britain are members of such schemes. But Jenkinson points out that the complexity of dovetailing scheme benefits with Serps is restrictive and in many cases fails to provide the same level of benefits as is available under a good contracted out scheme.

For example, under a contracted out scheme the pension is generally based on salary at retirement or on the best of the three years preceding retirement. The Serps pension currently is based on average earnings over the entire working career. Other restrictions

on death and disability benefits and early retirement provisions may also apply to schemes which are not contracted out.

One way round this is for a lower rebate to apply to personal pensions, preferably on an age/sex-related basis. Morgan points out that while company payroll systems are ill equipped to handle age/sex-related rebates, the Department of Social Security could more easily tackle this problem since it has ready access to the date of birth of each personal pension plan holder.

But while this solution has been rejected off the book it would present big problems for the government and personal pension providers, who would see a mass defection back into Serps of the 20- to 35-year-olds who form the backbone of the market.

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## Midland streamlines accounts

Meridian and Orchard accounts in February 1989.

"We wanted to launch one account in February 1989 and do the others in waves after that, but Lloyds jumped the gun," said Gavaghan. Lloyds was the first of the Big Four clearing banks to introduce interest-paying current accounts, following Abbey National's example in 1988.

Gavaghan said that the decision to launch all the accounts on the same day was "a significant mistake because it confused our customers and our staff." Midland had 4.5m personal account customers in 1988, accounting for a 16.2 per cent share of 16.2 per cent.

Until Midland introduced interest-bearing current accounts, other banks and building societies offering such services were criticised for being "archaic" and "out of touch".

lost 1.5m customers to them," said Gavaghan.

The two accounts that are to be altered are Vector and Orchard.

Vector, introduced almost a year before the other accounts and at the height of the consumer boom, was aimed at the 330,000 Midland customers who were regularly overdrawn and paying a yearly average of £120 in charges. The "yuppie" Vector account charged a flat fee of £10 a month for a £250 overdraft without further charges.

Now the consumer boom is over, Gavaghan said that the rate of new customers opening Vector accounts has slowed greatly and that the account will be discontinued, probably within the next few months. Orchard, which had been a high-interest savings account, is also to be discontinued.

agham said the bank was considering introducing a fixed monthly fee for Orchard which at present operates as an interest-bearing current account with a sweeping mechanism under which balances over a certain level are transferred to a high-interest savings account.

He added that he did not expect the fee to be introduced until next year.

No changes are envisaged for Meridian, which has been going "from success to success", according to Gavaghan. Meridian customers have to have an average monthly credit balance of more than £1,000. The account has a fixed interest rate which grew up to 8% per cent from balances of over £10,000. Vector and Orchard have lower inter-

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## Southdown gets a helping hand

DEPOSITORS IN the Southdown Building Society ought to rest easy.

It was formed last year from the merger of East Sussex Mutual and Sussex County and has £700m of assets and £45m of reserves. About 125,000 members are served from 11 branches.

The run on Southdown may illustrate public nervousness over the failure of the Bank of Credit and Commerce International and the publicity about depositors' losses.

However, the building society movement has a tradition of rescuing its smaller members. Frequently, the larger societies are encouraged to take over any smaller societies in which run into difficulty, although there are precedents for the kind of "moral support" the Woolwich is providing and it is a long time since any depositor lost money as a result of a building society failure. In the last resort, a compensation scheme will meet up to £50,000 of the first £20,000 put in by a depositor.

trading normally and meeting all depositors' requirements.

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Philip Coggan

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## HOW TO SPEND IT

# Furniture for a British summer - when it arrives

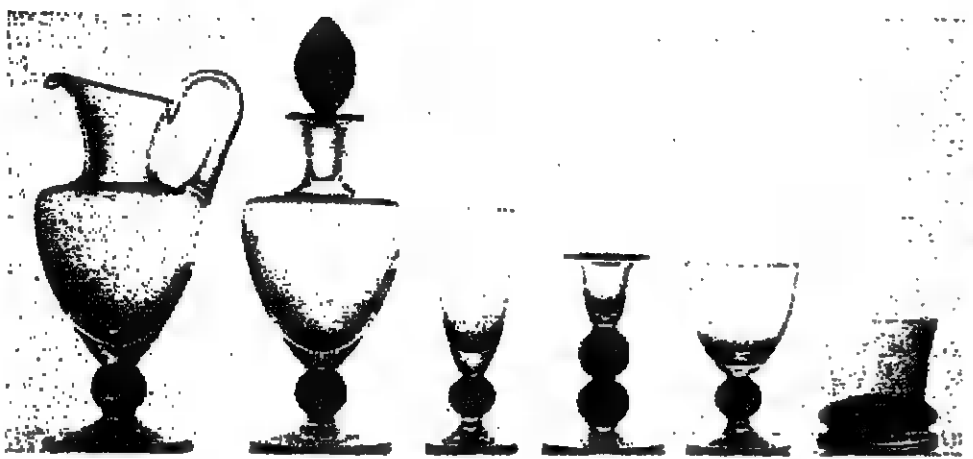
If the sun ever shines, Lucia van der Post will be ready to make the most of living outdoors

IT MAY not have been much of a summer so far and there is not much time left for the sun to redeem its reputation but it takes more than an indifferent temperature to make a recalcitrant sun to make the sturdy inhabitants of Britain's temperate isles scurrying for the comforts of the indoors.

Whatever the sun and the thermometer get up to, the taste for eating and living outdoors is on. The fleeting, transitory nature of the British summer seems to

give it its special intensity, making the inhabitants feel they must let a single day go by uncelebrated, unacknowledged.

Those blessed with better, more obviously brilliant weather than we have them with a nonchalant nonchalance. For the British every day counts. So here, this week, are just a few ideas to help you delight in outdoor living, in making the most of the rest of what we have learnt to call summer...



THOUGH many of us like to search out the smaller, more intimate shops hoping for something special and surprising the John Lewis group is still hard to beat when it comes to value. This summer it has a collection of vibrant, summer tableware that is not only at least as attractive as the more recherché emporia but is also very well priced.

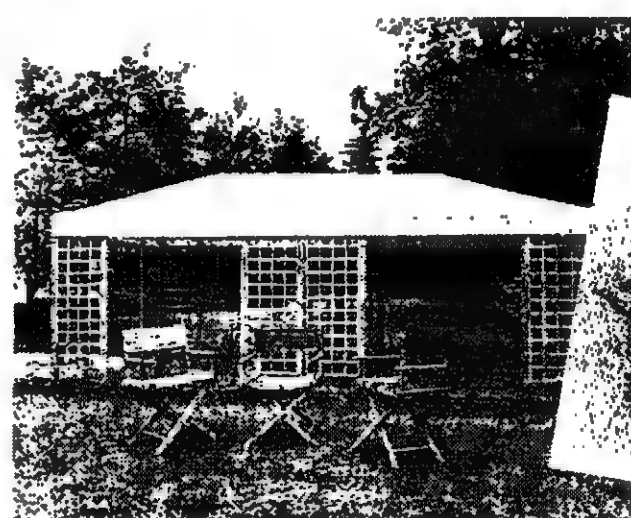
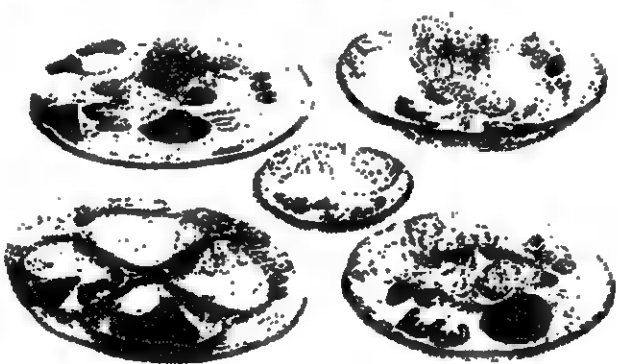
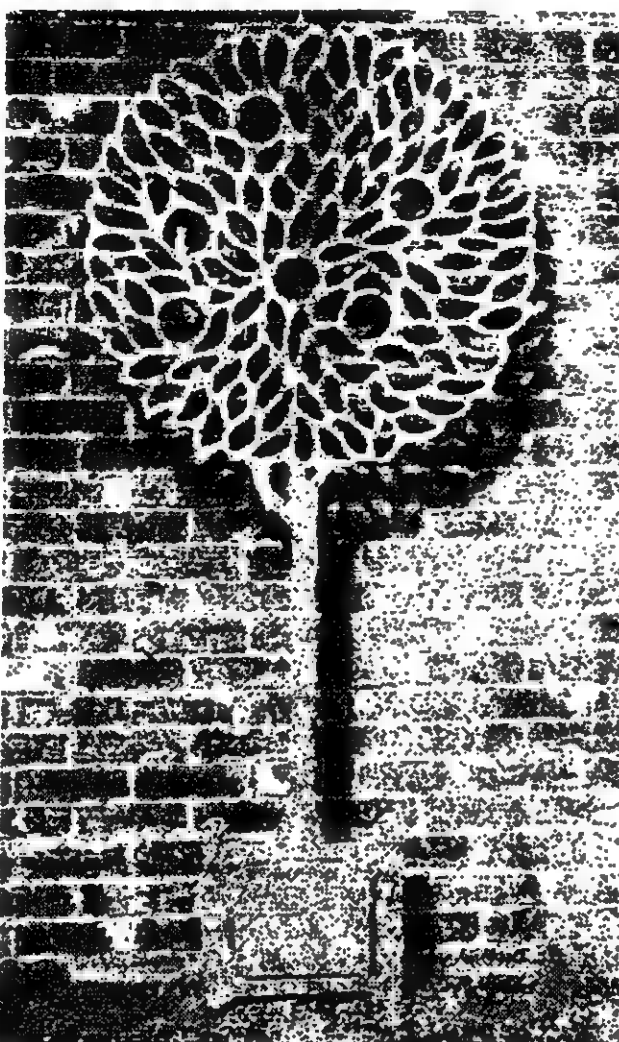
Photographed here is just some of the summer tableware. Pictured top is some colourful, hand-painted glassware from Poland. Brimful of personality, each glass is

hand-painted and prices range from \$9.95 for the tumbler and the wine glass to \$39 for the decanter. Jugs are \$27, vases, \$19.50 and \$38, while candlesticks are \$18.50 and \$24, depending upon the size.

Photographed right is the Macedonia range of glassware. It is made in Italy and every piece is hand-painted with the seasonal fruits picked out in appropriately vibrant colours. They would especially become a summer table but look equally at home on a more formal table. Prices start at \$5.50 for the small bowl, medium

bowls are \$14 and the large ones \$15.50. The plates, round or oval, are \$15 each and the oval platter is \$12.

Finally, photographed immediately above, is a collection of strongly coloured Italian earthenware which would be perfect for a seaside house. Every piece tells a fishy story - starfish, shells and seaweed decorate the plates. Plates are \$8.50 and \$11, mugs \$7.95, the teapot, \$21, a large salad bowl, \$41, the oval serving dish, \$39. All the pieces are exclusive to John Lewis Partnership



FROLICS of Winchester is a small company that seems to have developed a genuinely innovative line of garden furniture that will appeal to those who have seen one too many simple Lutyns-style benches, faithful Victorian copy of a wrought-iron table or canvas-covered deck-chair. Everything the company makes is in Medex, a material developed in the UK which is 85 per cent glass fibre, 15 per cent resin, and is remarkably strong and versatile.

Though the furniture is made in the UK, it is almost all the designs incorporate an element of fun or wit. Medex can easily be cut into various shapes. The benches sport pheasants in the photograph top left, butterflies, ferns, foliage or even just simple, classic slats. If that is what the customer wants. Tables can be made simple, too or can sit on pineapple or trellis.

One of most interesting to gardeners, though, is the range of trellis known as Trellix. Instead of being built up from separate slats, Trellix is cut from solid Medex - this means that it is strong but that a wide range of designs can be offered. From diamond-shaped slats, from tiles or heart-shapes, in squares or circles.

Much sought-after at the moment is the cut-out orange-tinted (photographed centre left, 6ft 6 in high, 27 1/2 in wide, 13 in deep) which was originally designed as a support for plants to grow over but which many people use as a screen. The slats come in black, white, or pale green but Medex takes paint easily. Trellix costs about \$25 per square foot.

Quite apart from the standard designs, the company will make tables and Trellix to suit your garden. Everything is made in the UK and orders can be placed direct with the company. Leaflets and more details are available from Frolics, 82 Canon Street, Winchester, Hants SO1 9JQ. (0962-856394).

RUSCO is the garden accessory company that first made its name by offering us the simplest, most pleasing of all parasols in plain cream calico and wood and now offers a range of parasols with a garden still unfurnished could write to Rusco marketing, Little Farlington Mill, Lechlade, Gloucestershire, GL7 3QQ for its mail order brochure.

One of its newest products are shown here. Immediately above is a bit of a folly - the gazebo, ideal for protection from the sun, should it ever

show its proper face, and rain but also for providing a focal point in larger gardens. Those who are allergic to any form of do-it-yourself should note that it comes in kit form. There are several different sizes ranging from 3 meters by 3m to 7.6m by 3.8m and prices start at \$762.50.

Photographed above the folly is the answer to all those who dream of languishing in a gently swinging hammock but lack a suitable tree - the free-standing moonbeam hammock stand. Again, it comes in kit form. The stand

measures 15 ft from grow to stem. The stand costs \$495 and the hammock bed is \$114.

Finally, photographed above right is a small rocking deck chair, hand-made in maple wood, it folds flat for easy storage. Designed by a British Army major who wanted something comfortable to sit in on warm Indian evenings, he calls it the Rocking D'Egg Chair and sells it for \$27.50 (plus \$9.50) by mail from Big Egg Designs, 108 Wyatt Park Road, London SW2 3TP. (Telephone 081-670-8048).

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## Off the scrapheap and into fashion

JAKKI MOSE has turned her range of products as well as her 99 per cent recycled materials. "I buy in earring clasps - it would be unhygienic to do otherwise - and use them for my quilts," she says. "I'm environmentally-conscious but I'm not a hippie."

Scrap Scrap, which she started in July 1989, is an account of the Carno, Wales, where she lives. Jakki's range of quilted bedspreads, duvet covers, hats, cushions, candlesticks, bags and jewellery has caught the attention of another environmentally-conscious person - an American who has a passion for the Prince of Wales.

His Youth Business Trust granted her a low loan of \$10,000 to help produce her first mail order catalogue and a year later Jakki had the Prince himself on one of his forays into her part of the country, Shropshire.

To celebrate the Prince's tenth - and tin - wedding anniversary, Jakki gave him one of her tin can candlesticks. She makes them, together with her boyfriend, Mike Pogson, from old tin cans, iron, brass, and other materials. They are then painted with petroleum jelly to prevent rusting before being decorated with chains and beads from similarly treated nails and screws.

stuck on to a plastic base of recycled milk carton. Another 8,000 are due to be fashioned from the shell of Mike's old caravan, which will save him transporting it to the scrap heap.

"I have always been fascinated by rubbish," says Jakki, "and I suppose I am fascinated with a dislike of seeing perfectly good materials just thrown away."

When Mike and I both realised that life in accountancy was not for us, it seemed clear that we should form Scrap Scrap. I collected a huge pile of cast-off textiles and started making things in my flat in Shrewsbury. The first things I made were patchwork quilts from old garment pieces. Then I started my bridal duvet cover service, making patchwork covers and bedspreads, working into them pieces from the bride-to-be's discarded dresses and old torn shirts belonging in the groom's.

This not only saves wasting the materials but turns what could be a utilitarian piece of bedding into living, personal history. It was an immediate success and she took the idea even further by also turning wedding dresses into quilts. "Like things were valued - patchwork cushions and beanbag covers, silk, velvet, lace and satin, lined rag rags, bags and rucksacks made from jute packing bags from rag merchants, and the jewellery and tin can items."

All sorts of surprising things can be made from recycled. Dips, trousers and hankies are salvaged from the hundreds of printed cotton dress that Scrap Scrap is given. Jakki buys in other essential pieces such as silk ribbons from Japan and



From old tin cans and anything else she finds, Jakki Mose makes candlesticks, mirrors, earrings, silk jockey caps and quilted bedspreads. Sketched here are some of her products.

fashion houses as well as some leather pieces.

Even the display units for the exhibition stands are made from recycled materials - chicken wire, old scaffolding poles and exhaust pipes welded together.

Scrap Scrap has been going for a year and though Jakki works very long hours, only stopping to go out buying or to take her wares to the craft fairs, she can no longer make everything herself. She now has a full-time assistant and five part-time workers. A full-time machinist is also just about to start.

Jakki is a committed environmentalist. She believes deeply that using fabric, properly laundered, from garments thrown out but not yet worn out, is well worth the effort.

to do two things at once - to save the environment and to create new, useful and exciting things. Scrap Scrap aims to prolong the life of many wasted resources - in simpler words, it aims to reduce the piles of rubbish and produce things that people actually want.

Scrap Scrap products are sold in many shops. A mail order catalogue is available from: Scrap Scrap, Unit D4, M400 Centre, Ferry Road, Jackfield, Shropshire ST15 6LS. Tel: 0693-883322.

Clive Fewins

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## SPORT/MOTORING

Cricket/Teresa McLean

## England must learn the confidence trick

NO ONE COULD accuse Chelmsford of being a beautiful ground. One edged by the murky river Chelmer, views of trains going past, out-of-season football floodlights, and last weekend, the playing their last county match of the summer. The ground was full of a good number of the spectators all three days of play.

It was a chance to see the Indians playing for fun and for practice. In pressure, giving Pat Patterson, Courtney Walsh and Malcolm Marshall a rest before the Test. This sort of game is always an attraction, but the West Indies were captained by the popular Viv Richards, with their bowling led by Curtly Ambrose, who looked as if he neither needed a rest. People were enjoying it before it started.

Ambrose bowled with his customary sparkle, taking 4-1-1-1 on Sunday, when he struggled to a first innings total of 249, then 1-4 in 7.5 hours on Monday, when he got 136-4, seeing his point in pursuing the 336 in a run a ball they had been in win.

Playing for survival was a pity: it is often more dangerous than playing for victory, but it is understandable. Kent was the only county to have within striking range of the West Indians in the summer. They did it by playing with panache, going for broke because they had little left to lose in a year season. Kent came within five runs of beating the tourists and reducing their bowling attack to a human level.

Last Sunday Graham Gooch was until five minutes had fallen before coming out to bat, so he could see what shape the innings was taking and what he had to do. He was confidently, firmly and cautiously. He did not intend to



West Indies captain's final, triumphant, tour of England



lose. He takes captaincy seriously. It was interesting to see how easily he handled the pressure of an attack of Ian Allen and Hameesh Anthony, the medium-pace bowler of Phil Simmons, with sudden surprising variations of pace, including the occasional whippy bouncer, and the off-spin of Carl Hooper and Viv Richards. It was Ambrose who did him in. Gooch was caught behind for a fine 66, falling into a trap set by Ambrose in his second spell. After watching Gooch score freely all round the ground off the other bowlers, Ambrose took the ball away from the bat, late, looking for the edge. Gooch gave it to him. Pressed of trying to make the ballative, he went along with the ball and he hardly moved his

feet and flicked the ball, as it whistled past him, into the gloves of David Williams behind the stumps. It was a more competent version of what an English batting collapse would be. The Trinidadian Williams kept wicket dramatically. It is hard not to be dramatic if you are as tiny as Williams, who stood up boldly to Simmons as well as Hooper and Richards. He was small and dainty, he peered over the balls, got airborne behind every catch and despatched his victims in high-flying style.

The rest of the West Indies batting was more leisurely. When Hooper came out to bowl, Richie Richardson moved out to his boundary. There he was about furthering Anglo-Caribbean relations. Lance Gibbs, the West Indies' manager, said how good those batsmen have been throughout the tour. "It's not extremely well fought, but I've had to congratulate the West Indies boys for the way they have played their cricket and signed autographs for the fans."

This was not always been a West Indian strong-point, but Richardson did not mind a bit in play in his share of the good work. Leaning against the boundary fence, he would hit the ball with a toy bat and sun-hat while the fielding was undemanding. When his admirers had got a signature, they stayed for a while as his sun-hat. It is a wonderful object, like a tired tomato. But it acquired public appeal. And Botham will have every sympathy for Richardson. Journalists and broadcasters have determined to work at turning Richards into a tough guy and hero, especially with people uninterested in cricket. When his name was announced at Chelmsford as one of the England squad for the Test, there were cheers, and then sighs, including: "That's his stuff! Bring back the old Richards!"

This time was to replace Jack Russell with Alec Stewart, which was not even justified as part of the misguided old policy of preferring a batsman who can bat a bit. Stewart is a brilliant close fielder, not wicket-keeper, and he is a wicket-keeper with the ball (26.41) in more than 100 Tests (32.58). Russell has kept well throughout this series, to the ever-changing collapse of English bowling.

The West Indians at Chelmsford laughed and shook their heads when they heard the selection. "Thanks, you help us."

They felt that England were their own enemies and that the West Indies had got ahead in the series. England had been allowed to "The tour had been pretty close, you know. At Edgbaston we were 2-1 in our second innings, in real trouble, and we let us make a come-back."

This, he thought, was the turning-point of the series, which England failed to turn to their advantage. Everyone who has seen England play a world-class bowler, a left-hand/right-hand batting combination to unsettle fast bowlers, a wicket-taking partnership and the wicket assuming they will take the bowling apart.

But they do not always realise that they have the makings of all this already. What England lack is the killer instinct which attacking players like Robin Smith, as Smith did at Lord's, For Smith, the best way to save is to kill. The ideal is a shipwrecked as a crude old weapon of bankrupt patriotism. The selectors have not helped him by picking him at the time of crisis. He has one, with England needing to win the last Test to level the series. But then the selectors are not subtle. Their most common mistake

## Head in the clouds

AT WELL over two miles a minute (140 mph, or 225 kmh), driving the open 1988 Cabriolet on the autobahn was like hedge hopping in a Tiger Moth - but quieter, much faster and more comfortable. Considering that air was flowing through the windscreen at hurricane speed, the Porsche's leather and carpeted interior was miraculously tranquil. Flaps were in no danger of being sucked out by the airstream. After a morning's topless motoring, I still had a parting in my hair.

When the motor industry is spending fortunes on making its products as aerodynamically slippery as possible, a fast open car is completely illogical. Take the top off and the drag curve zooms up almost vertically. As I drove the 988 I told myself that sensible people with more than £40,000 to spend buy large saloons with flush-fitting, double-glazed windows and air conditioning, not small cars with folding fabric tops. Cruising on the autobahn, I only sound they need hear is the perfection of a Mozart concerto.

They are right. But they would not be the pleasure of open air motoring. Drive topless and you are keenly aware of your surroundings, not isolated from them. You notice smells: hay being turned, the dampness of dark woods, a cottager's hot cooking - and the pong from the carefully squared-off roadside middens that made farmyard manure the characteristic smell of most of the villages I drove through in southern Germany last week.

Not all the new Porsche 988s are cabriolets. There is also a hardtop which is expected to take a majority of sales. Although the 988 is a genuinely new model, its evolution from the 968 is obvious. It has a 3-litre, 4-cylinder, 16-valve engine, 240 hp, 240 kmh and 0-100 in 6.5 seconds. It has more torque (pullever) than any other non-turbodiesel unit of its class. Oddly, it is mated with a new 6-speed gearbox; oddly because it would have thought that the more strongly an engine pulls over a wide speed range, the less need there is for gear-changes.

It is proved. It is often simpler to cut out an intermediate gear and go directly from third to fifth, or fourth to sixth. The 6-speeder is a sweet gearbox and, considering the torque, the clutch is very light. For me, though, the best transmission is the optional 4-speed Tiptronic, which I will add when I get the car. Tiptronic, a Porsche development first seen last year on the Carrera 2, combines the advantages of manual and automatic. It lets the 988 be driven in traffic as easily as any other two-pedal car. But whenever you feel like it the transmission selector can be used as a clutch-less manual shift. A slight twist of the lever then gives instant upward or downward changes under full power.

Although it has Miteubla (Le Mans) purists with long memories, the 988 is a Porsche. The big 4-cylinder engine has not had the usual Porsche manual shift. A slight twist of the lever then gives instant upward or downward changes under full power.

Handling and roadholding are two expectations of a Porsche. The limits are high and could not responsibly get near them on a public highway. Corners are surprisingly good for a car with such ultra-wide tyres. The 988's new MacPherson struts are the same as the elderly Ferraris on the 944 Turbo that join the so much in British last month. Germany's super-smooth road clearly helped a much of the credit belongs to the tyres. Michelin invested millions of pounds on a new tyre designed for the MacPherson of the MX3, it is clear.

From the front the 988, with its pop-up headlights staring skywards, looks rather like a 928. The ABS brakes are extremely powerful, the power-assisted steering is nicely weighted, and the 100 mph speedometer is a joke. Its main function will be to save an over-reaction from the boot, which is so small it barely has one really large wheel. The 988 will go on sale in Germany later this month at DM99,000 (little over £31,000) for the hardtop. When it reaches the UK next spring with right-hand drive, list prices are expected to be 10 per cent above those of the 968 it replaces.

I suggest a hardtop will be at least £4,000. Cabriolet £40,000. Turbo £44,000. Cabriolet £48,000. Turbo £52,000. Cabriolet £56,000. Turbo £60,000. Cabriolet £64,000. Turbo £68,000. Cabriolet £72,000. Turbo £76,000. Cabriolet £80,000. Turbo £84,000. Cabriolet £88,000. Turbo £92,000. Cabriolet £96,000. Turbo £100,000. Cabriolet £104,000. Turbo £108,000. Cabriolet £112,000. Turbo £116,000. Cabriolet £120,000. Turbo £124,000. Cabriolet £128,000. Turbo £132,000. Cabriolet £136,000. Turbo £140,000. Cabriolet £144,000. Turbo £148,000. Cabriolet £152,000. Turbo £156,000. Cabriolet £160,000. Turbo £164,000. Cabriolet £168,000. Turbo £172,000. Cabriolet £176,000. Turbo £180,000. Cabriolet £184,000. Turbo £188,000. Cabriolet £192,000. Turbo £196,000. Cabriolet £200,000. Turbo £204,000. Cabriolet £208,000. Turbo £212,000. Cabriolet £216,000. Turbo £220,000. Cabriolet £224,000. Turbo £228,000. Cabriolet £232,000. Turbo £236,000. Cabriolet £240,000. Turbo £244,000. Cabriolet £248,000. 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## ARTS

## The irresistible arrival of U1

Malcolm Rutherford on a Brecht revival

BERTOLT Brecht's *Resistible Rise of Arturo Ui* has some wonderful scenes in it, but is a pretty feeble satire about Hitler. The production at the National Theatre, though it drags occasionally, is for the most part irresistible.

The play has a chequered history. Brecht wrote it in 1941 when he was in exile in the United States. He thought there was a chance of an early American production, so it was quickly translated into English. The American theatre turned it down not because of Brecht's Marxism, but on the entirely understandable grounds that by the early 1940s it was considered that Hitler deserved more than gentle satire. In any case, Hitler had already been parodied by Charlie Chaplin in *The Great Dictator*, on which Brecht's play draws heavily.

In the face of that rejection, Brecht never went on to write the *U1* Part Two that originally he intended. The *U1* that we have effectively stops in 1935, though it goes on sketchily to the Austrian Anschluss in 1938. The piece was then put in a drawer. It did not receive its first performance until 1956 in Stuttgart, whereupon it was quickly taken up by the Berliner Ensemble in East Germany, which is where it really belongs. It has since had several triumphant productions, of which this one, in the National's Olivier Theatre, is certainly one.

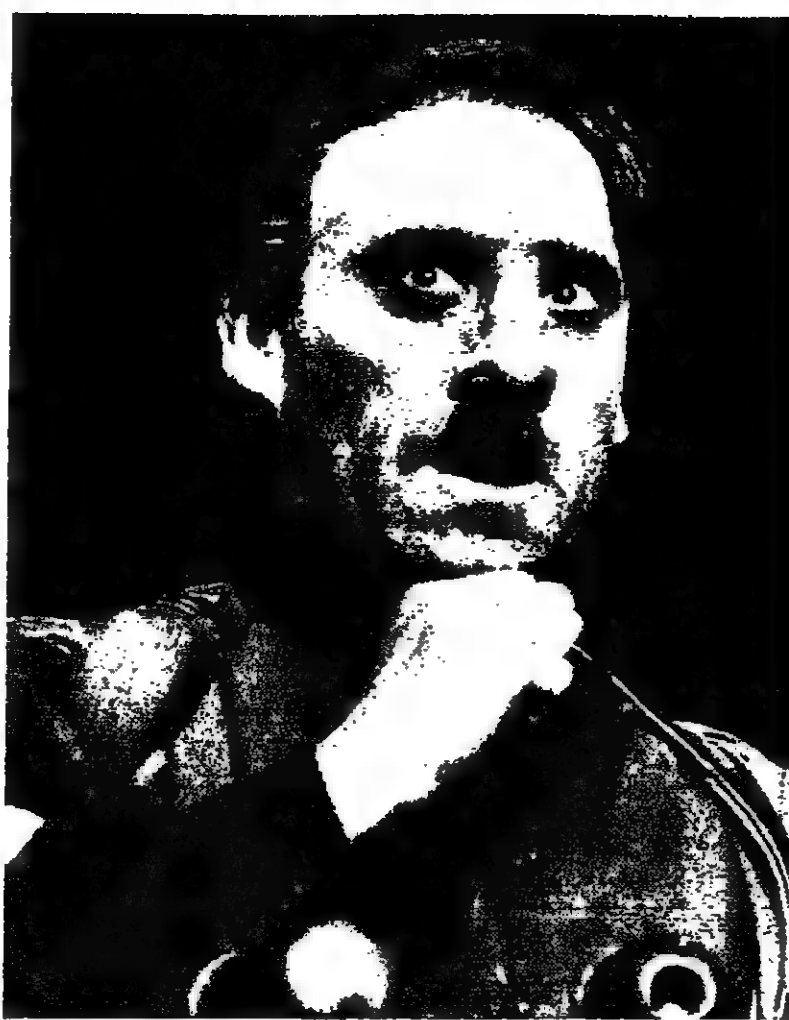
The reason why it is a good play has little to do with politics. It is simply that Brecht was a master of revue sketches and could sometimes string them together as a whole. He also wrote naturally for an ensemble, so that it is impossible for one star - even in this case Antony Sher as *U1* - to be

completely dominant. Brecht's related merit is that he was absolutely steeped in theatre. It failed to count the number of Shakespearean allusions and direct quotes in *U1*, but they are there all over the place and they enhance the play; the comedy, the history and the tragedy.

The best-known scene of the lot, which can be shown as a revue sketch on its own, consists of *U1* learning to move and speak from an established Shakespeare actor of the old school. The text is from *Julius Caesar*, beginning with the familiar "Friends, Romans, Countrymen, I am from Rome that *U1* develops his technique of manipulating crowds, and he never looks back. You may say that *U1* is sharper than *Julius Caesar*, but the sharper edge is *The Great Dictator*, when Chaplin gently bounces the *U1* up and down on his backside, but this is still a theatrical coup. The *U1*, incidentally, is played for all he is worth by Michael Byrne.

For those who have not seen or read the play before, I should add that it is set in Chicago and Germany. The villains are trying to control part of the vegetable market rather than the European continent. That may explain why it did not seem the most devastating satire in the world in 1941. It still looks slightly quaint, as if Brecht had not realised the full horrors, and it is a feeble excuse to say that he did not know about the gas chambers. Otherwise, however, the parallels are clear, though it would help to remember Hindenburg, Hitler and Roehm, the last of the *U1* villains.

Arturo *U1*, of course, is unmistakably Michael Antony Sher



Antony Sher: admirably restrained

plays him with an admirable restraint that is surprising in the actor. That must be a tribute to the direction by DI Trevis. The production misses one trick. When the equivalent of the burning of the Reichstag takes place, I would have expected the entire *U1* to seem engulfed in fire. Instead there is a pathetic *U1*. Yet there is a compensating

achievement. Ranjit Barua has already been applauded for his recent translations into English from French - his *Tartuffe* is on the way. This is the first time he has worked from German. The mixture of verse styles and prose in *U1* provide a different kind of challenge. He seems to have been through, though there is always a sense of *U1* always being there.

## From nursery to battlefield

WITOLD Lutoslawski's magical cycle, *Chantefables*, first performed in Thursday's Prom at the Royal Albert Hall, returns to a poet that he has explored before. In his last vocal work, *Les espaces du sommeil* (1975), he used a long, richly allusive text by the surrealist Robert Desnos, and the nine little settings for soprano that make up the *Chantefables* are drawn from Desnos' book of children's verse, published first in the year of his death, 1945, and in its definitive version 10 years later.

The poems themselves are wide-eyed, absurdist visions of the natural world - the grasshopper who hops from Monday to Friday, the butterfly who she's beautiful, the three-headed million butterflies who arrive in *Chantefables* as a brood. If he were not to write an opera, Lutoslawski would be a likely model, and there is more than a hint of *U1* in his handling of these poems, as just in their guileless vocal lines and lush harmonic French prosody, but in the way some of the images at last value, with an attempt to impose a sophisticated, adult perspective.

The scoring is wonderfully enough to crystallise a musical image, and always allowing the voice to sing through, though there is always enough of Lutoslawski's tech-

nical to make the composer never in doubt. Again Ravel seems to lurk behind the textures, less *L'Enfant* perhaps, than the orchestral version of *Ma Mère l'Oye*, with which the scoring of *Chantefables* at *Chantefables* shares its jewelled precision, its faultless sense of timing.

The music was the Norwegian *Chantefables* Kringlebotn, chosen by Lutoslawski for the premiere of this masterpiece in her

Wide-eyed, absurdist visions of the natural world

unforced crystalline tone and limpid phrasing. She sang the cycle quite wonderfully, never losing the lines and hard and allowing the *Chantefables* to unfold the ravishing musical moments of sweet-toothed sentiment, while a pair of harp and two percussionists punctuate and undercut the textures. Alongside *Chantefables* is the *U1* music, which Simon Joly conducted in the slurred-down manner that makes the music seem so much of the wind scoring. Sauer's piece appeared a model of dramatic directness, though this of all *U1* pieces was the one with the most lingering flavour with power.

War, which they commissioned and introduced on tour in Europe last year. The title consciously evokes Monteverdi, but in the 17th-century *Madrigali guerrieri* at *Chantefables*. Instead of using as a metaphor for the entanglements of love, he weaves together lines from a World War love song to create an "imaginary narrative" that *U1* in the separations and emotional turmoil of war itself.

Many of the *Chantefables* are familiar. As phrases (just the words, *U1* melodies) surface from "We'll meet again", "You'll never know", "I'll be alone", the effect is deliberately disconcerting, but the music has an intrinsic sentimentality with a gritty, ironic continuity. The writing for 12 solo voices, separated male and female across the platform, *Chantefables* slowly shifting clusters through propulsive rhythmic changes in moments of sweet-toothed sentiment, while a pair of harp and two percussionists punctuate and undercut the textures. Alongside *Chantefables* is the *U1* music, which Simon Joly conducted in the slurred-down manner that makes the music seem so much of the wind scoring. Sauer's piece appeared a model of dramatic directness, though this of all *U1* pieces was the one with the most lingering flavour with power.

Andrew Clements

## Radio Portrait of the city as a fine place

WHILE ULYSSES has led us round the Dublin of June 16, 1904, Radio 4 on Thursday, offered a more up-to-date guidebook in *Portrait of a City* (consciously subtitled *Berry Works at Huddles Ford*) by the Dublin writer Fintan O'Toole. His portrait was eloquent, complete, sympathetic, witty and immensely enjoyable. He told us about more than the average visitor would see, and he could explain why it was as it was.

He began in the docks, at the mouth of the Liffey, with its traditional small of Guinness. A new business area should mark a financial bridge with the New World. Replacements for the overcrowded, bug-ridden tenements are sited outside the city, but the old buildings still stand. The inner city needs fresh planning, especially for the overwhelming traffic.

In 60 years Dublin's area has quintupled in size, while its population has only doubled. New suburbs, round shopping centres, are like little towns, from which a visit to the city centre almost suggests a day out. There is still much of old Dublin to be found - old houses worth redress, singing that has now moved successfully into the rock world, the horse fair in an 18th-century square, where half the business seems to be done by boys. And there are the Dubliners. Some of them would still be at home in July 1904.

Yesterday, and on Friday

last week, Radio 3 gave the first two parts of *Bix's City*, a feature about the jazz cornet-player Bix Beiderbecke. Presenter Mel Hill has so far mostly chosen discs recorded in 1937, when jazz was at its height. We not only have Beiderbecke, rightly described as "distinctive" and "significantly different" (he used a lot of wrong fingering), but we hear the splendid arrangements made by Chas. Murray and so on for Frankie Trumbauer's band, with occasional harmonic quirks in the supporting parts. And there is lots of Trumbauer, nowadays wrongly disliked, on his C tenor saxophone.

Hill played Louis Armstrong and Coleman Hawkins for contrast, and Bix's piano solo of a *Mist*, which makes you think he had been listening to Debussy. You might think there was not much significant Bix to come; but we still have to hear him in smaller bands like *The Wolverines*, and the unexpectedly good playing of Paul Whitman's vast outfit.

The Sunday play on Radio 3 was the second in its look at Alfred de Musset, *Don't Play with Love* (On ne badine pas avec l'amour). It was well worth reminding us that there was something in the French theatre from Molière, Racine and Corneille and Anouilh. *Don't Play with Love* has a comparatively simple story; Perdicat (Stephen Tomkinson) is down from university and Camille (Sophie Thompson), his childhood love, home from the war. It is

the natural wish of Camille, the Baron, to see them married.

Camille doesn't want to get married, though she wants to spend her life in the convent. They have a sensible talk, which Camille thinks may drive him to despair. But it doesn't drive him to despair at all, it drives him to Rosette, and she is more obliging. Now you must marry her, says Camille, but Rosette's heart has taken too much. She dies.

And Camille? She goes back to the convent. The talk (translated by Michael Sadler) is sensitive and often unexpected. This passed a very good two hours and was directed by Peter Kavanagh, who did the other de Musset last week and is also doing *U1*.

If you have tears, you had to shed them at Radio 3's *Susumu's Story*, by David Holman, divided between Tuesday and Wednesday. An 11-year-old Japanese boy (James Holland) encounters a blind old man (Alan Dobie) at Hiroshima's memorial to the victims of the atom bomb. The swap scenes between his life and the old man's life when he was 11, longing to join in the war - until all his friends were killed in the blast. It is a powerful, sentimental, with a notably different moral from Jennings, and unexpectedly fair to the American bomber-crew, who have bit parts. Well played under John Taylor.

B.A. Young



B.A. Young In Italy, even the lamp-posts are works of art

## Records

## A tribute to the master

CLAUDIO Arrau died in June, and the comprehensive repackaging of his solo-piano recordings for Philips, already planned for release, has been transformed into the most elegant of tributes. The first three volumes of the "Arrau Edition" cover Beethoven, Brahms, and Debussy; collections of Mozart and Chopin are also promised, and one hopes there will be some Schumann to come too. These initial sets conjure immediately that utterly characteristic sense of the piano tone and air of utter seriousness with the induction of every phrase, every note, deeply pondered and considered.

It is an approach forged in the German tradition, and distinctly less suited to Debussy's complete *Préludes* and two books of *Images* (432 304-2, two CDs), where for all the care and intelligence the music and its spontaneity, its delight in the passing moment, and turns monochrome and sour. At the opposite

is Arrau's perfectly idiomatic Brahms (432 309-3, three CDs) - performances of the F sharp minor and F minor Sonatas of marmoreal strength and marmoreal grandeur, accounts of the Handel and Paganini Variations that are intense, highly wrought and a command for the *U1* of *U1*.

But the core of Arrau's recorded achievement will remain his Beethoven; his versions of the sonatas are alongside the very best, and perhaps remain the most consistent, of the last half century. Revisiting those performances from the *U1* in their immaturity (432 309-3, 11 CDs) is like meeting old friends again and discovering them unchanged, versions of the late sonatas especially in which the sonatas at touch, the weighty intelligence, even the placing of every emphasis seems reassuringly familiar.

There is undoubtedly an inevitability about Arrau's playing, an intellectual rigour

physical excitement of *U1*, Op.31 and *U1* of *U1*, the scherzo of Op.10 or the claxon opening of the Hammerklavier and its fugue, have to be taken as read. In almost every case, however, there are compensations elsewhere in the performance. *Les Adieux* contains wonderful musings, phrases poised against each other, while his Hammerklavier contains as searching and serene a presentation of the slow movement as one could imagine, so that the centre of gravity of the sonata is never to be doubted, and Beethoven's large-scale purpose is grasped unerringly.

For every Beethoven pianist from Arrau's generation onwards, Arrau's performances are a benchmark. He is now being digitally remastered (EMI References CBS 763765 2, eight CDs). No electronic refurbishing is going to reveal what was caught by the originals and the acoustic of the new

more limpid, Schnabel's astonishing range of inflection and colour is retained with greater faithfulness, so that the expressive webs around every movement are more entrancing and detailed than ever.

His emphases are often radically different from those of present-day interpreters. When *U1* warms the first movement of Op.109 into life the opening is presented as a single singing line in which the *U1* figure is barely audible; when he charges into the opening of the Hammerklavier what matters is an overall impression of power barely contained rather than note-by-note mechanics; when the Waldstein moves into its finale, the music is slowly fading. Almost every *U1* contains moments of equal haunting fascination.

Perhaps because he was less systematic in his recording career, Rudolf Serkin's legacy has not been so conveniently packaged. The releases *U1* have known the *U1* have been scattered across no less

treasure. Pride of place goes to the *U1* Concertos, recorded in the 1930s with George Szell and the Cleveland Orchestra, in which Serkin's intellectual rigour and dramatic integrity are perfectly matched to Szell's marital accuracy; the first is coupled with Strauss's *U1* (EMI) the second with Brahms's *U1* Op.119 in performances of great economy and precision (EMI).

The Beethoven *U1* are divided between the Philadelphia Orchestra with Ormandy and the New York Philharmonic under Bernstein (CDs 1 and 3, MOX, *U1* 4 and 5, MOX, *U1* 6 and 7, MOX, *U1* 8 and 9, MOX, *U1* 10 and 11, MOX, *U1* 12 and 13, MOX, *U1* 14 and 15, MOX, *U1* 16 and 17, MOX, *U1* 18 and 19, MOX, *U1* 20 and 21, MOX, *U1* 22 and 23, MOX, *U1* 24 and 25, MOX, *U1* 26 and 27, MOX, *U1* 28 and 29, MOX, *U1* 30 and 31, MOX, *U1* 32 and 33, MOX, *U1* 34 and 35, MOX, *U1* 36 and 37, MOX, *U1* 38 and 39, MOX, *U1* 40 and 41, MOX, *U1* 42 and 43, MOX, *U1* 44 and 45, MOX, *U1* 46 and 47, MOX, *U1* 48 and 49, MOX, *U1* 50 and 51, MOX, *U1* 52 and 53, MOX, *U1* 54 and 55, MOX, *U1* 56 and 57, MOX, *U1* 58 and 59, MOX, *U1* 60 and 61, MOX, *U1* 62 and 63, MOX, *U1* 64 and 65, MOX, *U1* 66 and 67, MOX, *U1* 68 and 69, MOX, *U1* 70 and 71, MOX, *U1* 72 and 73, MOX, *U1* 74 and 75, MOX, *U1* 76 and 77, MOX, *U1* 78 and 79, MOX, *U1* 80 and 81, MOX, *U1* 82 and 83, MOX, *U1* 84 and 85, MOX, 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## FOOD &amp; DRINK

## Fine words, finer wine from the guru of Gaillac

Jancis Robinson talks to Robert Plageoles, who is leading the renaissance of a little-known appellation

ROBERT Plageoles should have his own television show: a late-night programme, a discussion programme, anything, all abstract nouns and shrugs.

Instead, he has to expound from an almost embarrassingly modest farmhouse perched on top of one of the rolling green hills of Gaillac, an obscure appellation in south-west France. Thanks to Plageoles, it is fast losing its obscurity. In fact, the only reason that news of Gaillac's renaissance has been slow to spread to the English-speaking world, where we still think Gaillac produces nothing but nondescript co-operative pop, is that Plageoles speaks only French.

As he so rightly says: "I know how to talk about wine, and French is the language best suited to talking about wine the way I do."

Let me give you an example of the Plageoles way with words. After half-an-hour of verbal assault, during which he has given me a dazzling exposition on Cathar drinking habits, ancient Languedoc place names, the role of collective memory and the extent to which local vine varieties must be saved from extinction, all the time rotating his shoulders and hands on at least 20 different axes and flashing his impressive gold dental-work, I asked him whether he felt his distinctive style of wine (frank, direct, full of flavour) owed more to the vineyard or the cellar.

He put his pen to his lips and nodded slowly before giving a reply that was very Plageoles, very different from the usual technobabble. "That's an interesting question. What indeed is wine? At this point my notes in English of what he

said in French betray my lack of professionalism. Make what you will of "Wine is part of our patrimony. What's important is the spirit in which it is made. When one makes wine, one brings a reflection of a soul. I'm trying to restore to Maizac [one of his beloved native vines of Gaillac] its veritable identity, which is multi-form." Ecce terra.

The people of Gaillac (other than his most irritated competitors) are proud of their articulate archivist, a spokesman who has earned their appellation so many column inches in the French press. The sommeliers of nearby Albi look longingly at the Gaillac wine when you mention Robert Plageoles.



Robert Plageoles: fighting for a better deal for his wines

lywood - at any rate far too big for his small desk and struggling appellation. But it is clearly the struggle he relishes. His return to the small family wine farm in 1981 followed 28 years of trade union work. Now he is fighting for a better

deal for the wines of Gaillac. In the Middle Ages, Gaillac wines were some of the most sought after and the Bordeaux trade had to play all manner of tricks to stave off the competition. More recently, however, the appellation has become too

diffuse and dull to win many friends - sparkling or still; sweet or dry; red, white or pink; ordinary or downright poor. At least such were the wines, almost all local varieties blended with more familiar "international" ones, that were exported from the region.

But there is a new sense of dynamism and pride in Gaillac that is evident in top bottlings from the likes of Domaine d'Escaisses. It cannot be dissociated from Plageoles' *mediatique* activities, particularly the revival of ancient grape varieties and wine styles. "I've started a little revolution," he admits of his policy of bottling each grape variety separately.

"There is a message of truth in a wine variety. A varietal wine is a naked wine. You cannot hide faults. My motivation is that I am saving our local heritage. It has been an enriching experience for me."

He probably does not mean by this that Plageoles wines, 10 different sorts from a mere 25 hectares, command an impressive premium over other Gaillacs. The cellar-door price of his beloved Maizac Nature - an appley, naturally fizzy, defiantly cloudy young white from a Gaillac variety also important in Blanquette de Limoux - is by local standards wildly expensive at FF34 (£3.40).

His sleek, unusually fruity red Duras (a local vine variety rather than the place 100 miles north-west) is FF27 a bottle. His special wines, such as his sherry-like Vin de Voile and Vin d'Auran, a sweet white made from almost-extinct Oudenc vines, command prices up to FF300 a bottle. (These cleverly registered names give valuable exclusivity.)

and deliciously revive my faith in Gaillac. Ironically, it was the despised "outside" varieties, Sauvignon and Gamay, that were particularly impressive.

As 35-year-old Bernard, the hands-on Plageoles, packaged the bottles, his father, still holding forth, rummaged in an old cardboard box to show me some of the dusty volumes on which his wine and vine research was based and then, ignoring the screams of my baby, would not let me go until he had pressed into my hand his document on exact serving temperatures for each one of his wines. Dedication indeed.

## Fresh fish and fruit-bat: a feast of Creole cuisine

Nicholas Woodworth samples a melting-pot of flavours in the islands of the Seychelles

ANSE Dejeuner, Anse La Farine, Anse aux Poules Bleues, Anse Patates, Anse Citron, Anse Boudin, Anse Bananes... Is it a recipe list for some obscure French country dish? No. It is a list of some of the hundreds of fine white sand beaches, or "anses", that border the Indian Ocean islands of the Seychelles.

When French colonists were first landed on these islands 200 years ago, food was the first thing they had to think about. Settled on tiny specks of land where no one had lived before they had to rely on what they could grow and find around them. As the names indicate, a good meal, a find of banana trees, a suitable place to grow crops was never far from their minds, and worth commemorating.

The colonists adapted, as they had to, to the demands of living on islands in a tropical sea 1,000 miles from anywhere. They had to feed not only themselves but the India-bound trading ships. It was not always a hard job. The islands are rich, fertile places. There were fish for the taking, lobster and crab, tropical fruits and vegetables, ocean birds with eggs, and, in the early years at least, vast numbers of lumbering sea turtles.

African slaves brought their own tastes and preferences: they grew yam, cassava, kassava and curries, and developed a liking for the succulent, puppy-sized Seychelles fruit-bat. Indian traders implanted their own culinary traditions - curries and chutneys, spices and coconut milk sauces, while Arab seafarers and Chinese merchants made their contributions.

And what of the British, who ruled in the Seychelles longer than anyone else? You will not find any beaches named after Melton Mowbray or Stilton, but in the tiny, tin-roofed Seychelles capital of Victoria you will find the Sir Selwyn Clarke central market. In the sunny shops and stalls of this unlikely place you will find all the elements - French, African, Indian, Arab, Chinese and even English - that go to make up that most heterogeneous of food styles, Creole cooking.

For most of the 70,000 Seychellois who

live scattered over more than 500,000 square miles of ocean, Creole cooking is a daily affair. It is not a speciality they consciously set out to create. It is an spontaneous part of them as their Creole language or the mingling of the many bloods that make up Creole people, Louisiana, Guadeloupe, Guyana, Martinique, Mauritius, Reunion - wherever warm ocean water, an imported black population and the French colonial way of life met, there is a kind of Creole cooking emerged.

If one evening from the crowded streets of the Victoria market you follow trails of drying blood-spots along the road and out into the green hillsides beyond town, you are not likely to stumble over some Somerset Maugham-style murder; you will come upon men trudging home from work after having made a short shopping trip to the market. From a length of string looped through its gills they will be carrying a fine red snapper, a fat mackerel, or maybe a small silvery barracuda. On almost every night of the week, this is how Seychelles husbands bring the bacon home.

Lost in a bright blue sea, it is not surprising that the Seychellois have made fish the base of their diet. A Creole family may kill the occasional chicken on Sunday, or splash out on a goat on special occasions. But fish, spiced and grilled on a fire or carried over a kerosene stove, is a normal end to a normal day. If that sounds a little dull, you must have a talk with Christianne Joubert.

Christianne, whose ancestors came to the Seychelles from Madagascar as slaves, grew up with eight brothers and sisters. There was not a lot of money about, but from the sea and the fields on their island home of Praslin her mother provided meals that Christianne still remembers with delight. I asked her some favourites of Creole family cooking: topping the list were coconut-milk-simmered fish served with a puree of banana, octopus curry, breadfruit baked in its skin, manioc drenched in a fiery chutney of shark meat, garlic, turmeric and chillis, and sweet potatoes boiled into a moist cake with coconut meat and sugar.

Christianne reproduces her mother's



Bountiful seas: the Seychellois reap a rich harvest from more than 500,000 square miles of ocean

meals for diners at Praslin's elegant L'Archipel Hotel. Along with these dishes, the centrepiece of the Creole buffet is a large red snapper baked in banana leaves and served with a piquant sauce *rougaille* - onions, tomatoes, ginger, garlic and the ever-present chilli pepper. Accompanied by salads of papaya and green mango, or by local specialities that the average Seychellois family cannot usually afford - smoked marlin and palm hearts - this is a feast that even L'Archipel's discerning French clientele talk about at home.

But the French are not the only ones to rave about Creole cooking. The US ambassador to the Seychelles will be sad when he goes home. He swears that the fresh tuna steaks served on tiny Round Island, two miles over the water from Victoria, are indisputably the best in the world. I pressed Paul Calais, who with his

brother, sister and parents runs the Chez Gabry restaurant there, for the recipe of his mother's tuna steak marinade. The ambassador is right; Chez Gabry's tuna steak is worth causing an international incident over; it has to do with the freshness of the fish, but also with that marinade. All my efforts were skillfully deflected: this is the best kept secret in the Seychelles.

I did manage to drag out of Paul one of the islands' culinary secrets. This used to be home to one of the largest populations of sea turtles in the world. Extraordinary creatures, they are heavy and awkward on land but swift and graceful in their own element. Underwater, the Hawksbill turtle has been clocked at more than 30 miles an hour. Unfortunately its cousin, the Green turtle, has a reputation for taste rather than speed. So sought after were they that they have almost been wiped out.

How were these animals eaten, I was curious to know. Using just a little imagination, one can visualise it - the turtle was meat, cooking oil and pot all in one. Once the turtle had been killed and removed from its shell, this was flipped over on an open fire: the fat remaining on the shell's interior melted and rolled down to the centre of what became, in effect, a giant wok. To the hot oil was added turtle meat, spices, rice, palm hearts, and fresh vegetables. Lifted out of the fire, the shell then became a serving dish as well. It is, say those who have eaten it, a heavenly delight.

Turtle fried rice is a highly illicit speciality these days, and every meal takes the Green turtle closer to extinction. When islanders crave some delicacy from the past, they are encouraged rather to feast on the eggs of the sooty tern, a bird that

flocks in the millions. This too is a somewhat special experience. So much of the tern's diet comes from the sea that its eggs have a crab-like flavour - an omelette of tern eggs is like having a sea-food omelette without having to add the sea-food.

But sea turtles and sooty terns are hardly necessary to excite the palates of visitors to the Seychelles - a regular meal in a Creole restaurant is as deliciously exotic as any you could wish. After a Sunday tuna steak lunch at Chez Gabry most people are loath indeed to board the little island ferry and head across the water for home. I certainly was, and not just because I was thwarted over a marinade recipe. But I do wish that before he departs to Washington a certain American would savour his finest diplomatic talents on Round Island - the world needs the best kept secret in the Seychelles.

## A union with a special pull

IT IS 11am in the Long Hall bar in South Great George's Street, Dublin. The copper behind the counter is gleaming, the big mirrors freshly polished, the bottles neatly arranged on their shelves, labels facing out.

The heavy, stained-glass door opens. An elderly gent with a slightly ruddy complexion enters. In the mid-summer weather he is wearing a thick coat.

There is a green trolley on his head. He goes to a small copper-topped table in the corner, treating the barman to only a cursory glance. The Irish Field is pulled from the coat pocket.

Minutes go by. The barman comes from behind the counter and sets a pint of stout on the table. No word from my friend, who is absorbed in picking a few winners. More minutes elapse. The pint goes through its settling process, turning from a sandy, cloudy colour to jet black, topped by a clerical collar of cream.

The man gently puts down his paper. His lips are licked. A crabby hand reaches forward and folds the pint in a robot's grip. Glass is raised and a long draught consumed. Glass is replaced on table. Back of arm delicately wipes cream from lips. A long sigh.

"Not a bad day, James," says the man to the barman.

The first drink of the day has been taken. Social intercourse can begin.

What makes Dublin's bars - a few of them in particular - so special, such civilised places to have a drink? Why does it take forever in a London pub to be served when in Dublin,



night, an order is taken and a drink appears in no time? Why are you always given a fresh glass in an Irish bar, but rarely in an English one?

The answer is the union: the Irish National Union of Publichouse and Allied Trades Assistants to be precise. The union boasts that its bar-staff members are the only properly trained behind-the-counter people in the world. Of Dublin's 580 bars, nearly 400 are unionised, run by men in white shirts and ties who have been schooled in their trade.

James Kennedy has been a barman for more than 30 years, a good slice of that in The Long Hall. "When I started a barman had to do five years' apprenticeship. In those days we used to have to learn how to rack and bottle the whiskey, cork the stout in bottles out of barrels and do all the labelling. Now the trade is much less complicated."

Nevertheless, there is still a three-year apprenticeship for barmen (there are very few women barmaids in Dublin).

plaque in the union's cavernous but dusty HQ in Parnell Square in Dublin lists the barman who died fighting British rule.

Aidan McCormack, the union secretary, says that though some of the bigger bars in Dublin rely on casual, untrained labour, union barmen are still much sought after.

"We get requests from Germany, from the US and from England for our bar staff," says McCormack. "In London they just seem to throw drinks at you any old way. That just wouldn't happen here."

Sadly, good bar-keeping does not seem to have spread far outside Dublin. Unlike many English country pubs, rural Ireland's mostly family-run bars are cold, unwelcoming establishments. A random population, particularly in western parts, means that too many bars are chasing too little business. In the town of Ballaghaderreen in County Roscommon there are 32 bars, a hotel and an off-licence catering to a population of 1,400.

Back in Dublin, it is important to pick your time for maximum drinking pleasure. Anytime after 7pm and all the city's growing young population seem to take over the bars. Go, instead, in the late morning or early evening. The man with the Irish Field will be in the corner.

A few Dublin bars worth a visit: The Long Hall, South Great George's St; Ryans, Parkgate St; Doherty and Nesbitts, Lower Baggot St; Toners, Lower Baggot St.

James Kennedy was paid 22 and 11 old shillings a week when he started in the bar trade. "I'd 10 shillings left when I'd paid my digs and transport. But then in those days you could buy nearly 30 pints for £1."

Now it is almost 122 a pint in many bars. Other things have changed. "In the old days you would never see a woman in the bar," says Kennedy. "There was a passage at the back of the bar with little hatches. The women would sit out there and there was a special bell contraption they'd ring when they wanted another drink. Now there are more women in here of a night than men."

The Vintners', Grocers' and Allied Trades' Assistants' union was founded in 1916, a time when Ireland's struggle for independence was entering its final phase.

## Cookery The way to a woman's heart

ANY YOUNG couples today are good about sharing. It is no longer unusual for both man and wife to work and for both to take their turn at mopping, house-keeping and cooking.

However, men past the age of 50 tend to be less versatile. It is not that they expect their wives to welcome them home like spaniels each evening. Nor that they will not, occasionally at least, roll up their sleeves and do the washing up. It is just that, poor protected things, their knowledge of the kitchen probably began and ended when, as young master of the house, they were allowed to clean out the cake-mixing bowl.

Be that as it may, I think that every man, irrespective of age, ought to have a few recipes up his sleeve. That way he can fend for himself when need be, just as important, he can give his wife the occasional night off.

Restaurant treats are lovely, of course, but every now and again dining in without having to be responsible for the meal appeals to the lady of the house and avoids those contentious discussions about who will drink and who will drive.

A wisely timed off kitchen duties means just that. She should be freed not only of cooking but also of menu planning, shopping and clearing up. Brownie points will be deducted, and the whole object of the exercise defeated, if the kitchen next day looks as though a battle has raged through it and half the pans are burnt.

Elegant and impressive meals are, I am convinced, well within the grasp of the novice cook. The key to success lies in choosing dishes that are

easy to make, not those that demand a firework display of culinary skills, juggling with a battery of pans and complex timings. The fish dish given below is an excellent example of the uncomplicated cook would be wise to choose. A pure and lovely treat, it is tailor-made for a solo bachelor supper or dining *a deux* (but it is impractical for large numbers).

It makes even more sense for beginners than for experienced cooks to concentrate their efforts on getting the main course dish absolutely right, and to rely on good food producers for the rest.

The first course is an obvious one to buy in. No amount of clever cooking can improve on such things as caviare, oysters, smoked salmon or potted shrimps served pure and simple.

More cheaply and not too ardently, dinner might begin with a cook-ahead vegetable dish - globe artichoke vinaigrette or avocado with watercress leaves and vinaigrette whizzed to a green-flecked puree.

Cheese and fruit provide a classic finish but for a celebratory twosome you will want something less obvious than apples and farm-made Cheddar, good though they may be.

Now it's time to turn to the main course. The fish dish given below is an excellent example of the uncomplicated cook would be wise to choose. A pure and lovely treat, it is tailor-made for a solo bachelor supper or dining *a deux* (but it is impractical for large numbers).

cheese from the Fromagerie Sonéda in Périgord. It comes in four versions: coated with a dusting of ash, paprika, coarsely ground black pepper, or, best of all, tarragon leaves. A cone shape, couched on pastel paper leaves, this cheese looks as pretty as it is delicious.

Partner the cheese with a basket of muscat grapes, juicy ripe pears or other complementary fruits, and serve them with warm water biscuits or oatcakes. Warming the biscuits (simply spread them on a baking tray and slip them into a low oven for 10 minutes or so before serving) is a small detail, perhaps, but finishing touches make all the difference, create an impression of finesse and caring - and earn the cook a reputation for style.

**SIMPLE SOLE**

For each person you will need one fine, fresh but not-too-large Dover or lemon sole and a pair of dinner plates.

Rub the centre of both plates lavishly with butter. Lay the fish on one of the plates. Season it with sea salt and coarsely ground pepper, and a good squeeze of lemon or lime and a few sprigs of parsley or other herb. Put the second plate on top. The rims should touch all the way round, sealing the fish. Chop off the head and tail of the fish as

carefully as possible. The fish is now ready to be cooked. Heat the oven to 180°C (350°F) and cook for 10 minutes. The fish is now ready to be served.

Philippa Davenport

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**SATURDAY**

## REGIONS

[illegible]

## REGIONS

**ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-**

**ARMS&LEGION**  
12.30 Johnny's, 12.30 Farming Diary, 1.10  
Anglia News, 1.10 Ashtar's Kale, 2.30 Y.Y.  
Racing: Admiral's Cup, 3.00 The Spectator  
World of Guinness Records, 3.55 Heilmann  
Antarctic, 5.35 Canteen Time, 5.35 Heilmann  
6.10 Anglia News, 11.25 Hot Honey.  
**BORDER**  
12.00 An Invitation to Remember, 12.30 Gard  
ing Time, 12.30 Great British Isles, 1.10 Who's  
Who, 1.10 The World of Guinness Records, 1.55  
Heaven, 4.30 Great British Isles, 5.00 Spectator  
6.10 Border News, 11.25 Prisoner: Cell Block  
2.

**CLASH**  
12.00 Encounter, 12.30 Gardening Time, 1.1  
Central News, 1.10 Beyond 2000, 1.40 Intern  
ational News, 2.00 The World of Guinness  
3.55 Value of Money, 5.35 Wheel of Fortu  
12.00 Central News, 11.30 Carry on Abroad.  
CLASH

**12.00 An Invitation to Remember, 12.30 Ref**  
ductions, 12.35 Les Francs Le Chez-Vous, 1.  
Tele-Journal, 1.10 An Englishman's Home,  
1.10 The World of Guinness Records, 1.55  
In Treas., 4.35 Canteen Time, 5.00 The Spectator  
World of Guinness Records, 5.55 Heilmann.  
6.10 Central News, 11.25 The Last Factor.

**GRANADA**  
12.25 Young Up Front, 12.35 Granada News,  
1.10 News, 1.10 The Wonderful World of D  
2.30 Santa Barbara, 2.50 New Candid Cam  
3.30 The Old Man and the Sea, 5.10 Coronat  
5.10 Granada News, 11.25.

**ITV9**  
12.00 The Entertainers, 12.30 West Cou  
try, 1.10 The World of Guinness, 1.10 Heilm  
Looking Back, 2.30 ITV Newswatch, 3.00 Fa  
In the Dark, 4.35 Something to Treasure,  
Adventures, 5.00 The World Today, 5.10  
ITV News, 11.35 Katts and Go.

**SCOTSH**  
12.00 The Entertainers, 12.30 In the Moun  
tain, 11.15 Link, 1.10 Portrait of the Wild, 12.30 Scottish P  
Medicine, 12.30 Talking Pictures, 12.35 Sc  
1.10 The World of Guinness, 1.10 Heilmann  
1.10 The World of Guinness, 2.40 Bullseye, 3.  
Hobson's Choice, 5.00 Scotsport, 5.10 Scot  
1.10, 11.25 Magnitude.

**TSW**  
12.00 Cover Story, 12.30 Surf Farming Wo  
12.30 The World of Guinness, 1.10 Coronat  
Alder Surf Pro, 3.30 The Spectacular Wor  
Guinness Records, 4.50 Hard Time on Pla  
5.00 The World of Guinness, 5.00 Heilmann  
TSW Documentary, 6.10 TSW News, 7.55.

**TVS**  
12.00 An Invitation to Remember, 12.30 Gard  
ing News, 12.35 Jack Thompson Down Under,  
An Englishman's Home, 1.55 The Count  
1.10 News, 2.55 The World of Guinness, 3.55  
1.10 News, 5.55 The Spectacular World of G  
News Records, 5.35 Heilmann, 6.10 TVS News  
6.10.

**WYTH**  
12.00 Beyond 2000, 12.35 Regional News,  
Way of the Lakos, 1.45 Highway to Heaven,  
1.10 News, 2.55 The World of Guinness, 3.55  
Coronation Street, 6.10 Regional News.

**WORCESTERSHIRE**  
12.00 News, 12.35 Heilmann in Town, 12.50  
under News, 1.10 Wonderful World of Dia  
1.10 The Life and Times of Grizzly Adams,  
1.10 The World of Guinness, 2.55 The World  
of Monte Cristo, 5.10 Calendar News, 1.  
Wallerberg: The Last Hero.

**SUNDAY**[illegible]

**Leonard Barden**

2	serialised drama (4-6)	UNDERSTANDING
2	insured a damaged old coin (6)	A O I O M A R A
3	disappointed in majestic possi-	TELEVISION EYES
3	ble (8)	A E U O U
5	chamber for Dithelo's retirement	AMSTERDAM
5	(4)	REFERENCE
6	Transportation for such conduct	REMARKS
6	(7)	CLAVIER POTENCY
7	At home, diplomacy is sound	E R M I H Y
7	(8)	SAVE SINGLEBOOK
8	Flare's crashed in bay (6)	T E P S G S U
11	Place's place in The Three-corn-	RACEBACK DUMB
11	ered Hat? (4-5)	REMARKS
14	Tickets in quarters (7)	LORRY REMARKS
17	Pain for chimney in row put up	
18	Neighbourhood of Caesar's last	Mrs D.H. Cooper, Portishead,
18	act, with tiny change (6)	Bristol; B. Kilburn, Inverness;
18	Leaders in commercial vehicle	A.R. McCree, Port Erin, Isle of
		Man; Mrs. M. Ross, Sevenknolls,
		Kent; J.R. Wood, Kelghley,
		Yorkshire.

[illegible]





**FORGET** the US PGA golf championship. Forget the Admiral's Cup. Forget, even, the fifth Test match. The most exciting sporting event in my August calendar is the quarter-finals of the world chess championship. It starts tomorrow in Brussels and, I am pleased to say, includes an Englishman: Nigel Short, a 24-year-old Lancastrian.

If I had not already booked a holiday in the south of France I would be in Brussels, my eyes glued to the boards and my hopes for Nigel, who might take another step to becoming the first English world champion.

I have never been able to convince even people who play chess that watching the masters play is

## The excitement of brain-to-brain combat

*Dominic Lawson thinks that chess is the best spectator sport*

the most exciting way of spending one's time. Bird-spotters never seem to have the same difficulty, and angling, so we are told, appears to excite more British men than any other pursuit.

Yet whenever I tell people that I am spending a week watching a chess tournament, the same old response is forthcoming, usually said as if it was amusing: "Isn't it rather like watching paint dry?"

The last time Nigel Short got this far in the world chess championship a television interviewer asked him precisely this question. Nigel, a calm man, found it difficult to contain his anger, and I do not blame him.

Of course it is necessary to under-

stand the game to enjoy it as a spectacle. And by understanding I do not mean just knowing how the pieces move. But the same applies to watching any sport. For this reason Test cricket is very much an acquired taste. Children prefer watching one-day matches - I certainly used to as a child. But as we become adults we put away such childish things.

The excitement of watching a chess match lies not just in understanding what is going on with the pieces, although the great chess games are played over and over by enthusiasts, just as musicians read

the scores of symphonies with pleasure and excitement. The sporting element is the psychological battle between two opponents of extraordinary talent and will power.

You may think that the look of the chessboard gives batsmen an intimidation. But it is nothing to the glare which the world chess champion, Garry Kasparov, shoots at his opponent when the game becomes fraught. Some of his opponents try to ignore it, some are petrified, some even try to return it.

One can feel the animosity and sporting tension 10 rows back in an auditorium. A world champion of 30

years ago, Mikhail Tal, used to practise a similar technique, and at least one of his opponents used to don sunglasses in defence.

Kasparov's predecessor as world champion, Anatoly Karpov, has a different method. He stares constantly into his opponent's eyes, almost questioningly. As Karpov explained to me, it is a genuine desire to explore the mind of his opponent. But it is disconcerting. His challenger in countless matches, the Soviet defector Viktor Korchnoi, responded by wearing spectacles which reflected light, with the idea that Karpov should

end up brain-washing himself.

It did not work. As with sport, psychological warfare brings dividends, but over the long haul talent always comes out on top. That is the great justice of sport, which makes it so much more diverting than business or even art, where determination and fashion usually triumph over mere ability or even genius.

Perhaps one of the problems for the chess proselytiser is that the characters of the players tend to be ignored by journalists who write about the game. They describe what happened on the board rather than the emotions of the competitors.

Chess needs a Neville Cardus to bring the game and its practitioners

to life. There is plenty of material next week in Brussels. One of the quarter-finalists is an Indian, Viswanathan Anand, who plays in a usually brilliant moves at lightning speed because he cannot bear the tension of prolonged thought.

Another, the Soviet boy, Vessily Ivanchuk, staggers onlookers by never - or hardly ever - looking at the board. He stares at the ceiling, preferring to do his calculations entirely in his head, without being corrupted by the physical appearance of the pieces.

The next time you turn on television to look at the Test match and see the West Indians bowling at a rate of a ball a minute, remember you could be watching chess instead. And the players do not wear helmets.

*Dominic Lawson is editor of the Spectator.*

**AT AN AGE** when most people are trundling down the last incline to the grave Reg Gammon came blazing back to life.

For 50 years he had survived as an illustrator and writer of country notes for cycling, motoring and scouting magazines. For eight of those years he had freelanced for the *News Chronicle*. His meticulous drawings, much influenced by early *Punch* and today themselves museum pieces, had earned him a certain following. In between, he had exhibited his watercolours at the best venues.

Then at 68 he gave up his Welsh hill farm, retired to Somerset and took up oil-painting in a big way. Or rather, he exploded. The black-and-white penman, the careful watercolourist, began roaring across the spectrum in sulphurous greens and burning reds.

It was another 25 years, however, before anyone outside his immediate neighbourhood paid much attention to the artistic phoenix. But today, with four one-man exhibitions in the last six years under his belt, an autobiographical book on country life sold out, and the phone constantly ringing, the second Gammon has, as they say, arrived. He is hard at work at his easel. The money rolls in. And he will be 96 in January.

Gammon was born a month before Gladstone retired. In France, Dreyfus had not yet been arrested and Debussy's revolutionary *L'Après-midi d'un faune* was just marks on paper. Kipling was about to publish *The Jungle Book*, the gramophone and automatic loom were still being invented and the Blackpool Tower was not completed.

Nearly 100 years later, Gammon is as chirpy as a cricket, apart from lameness in one foot - the result of a gymn accident at school in Petersfield, Hampshire, which later put paid to active service in the First World War. He walks with a stick, paints from a wheelchair and uses an electric buggy to shop in the village. He has long, powerful arms and big hands, remarkably preserved.

Pursued by television, the print and London gallery-owners, the nonagenarian celebrity has become as leery of the limelight as a badger. It is partly for self-protection, partly out of modesty.

In the three hours I spent with him this week he admitted to feeling personal pride for only two things: having produced his book, *One Man's Furrow*, last year and having traced his family tree back to Thomas Gammon, yeoman, 1553-1589.

I asked him if he were shy. "I am. Definitely," he replied in his Sussex burr. "I've always been a loner. I was a loner with my cycling; it's partly because I lived in the deep country down in Sussex."

"I always had a feeling of nervousness in a way of wanting to be thrust forward. Always suspicious of popularity. It's got a nasty habit of coming unstuck. I've noticed. I've never been clubbable, never joined a club of any sort except the Cyclists' Touring Club and of course the scouting."

By perhaps you're stubborn, too, I ventured.

"I have disregarded the critics. I've kept free of the abstract people, the gimmicks. He recounted visiting a London gallery in the 1930s, "at 5", Suffolk Street, or some such quack address. The owner told him: 'If you've got a gimmick, Gammon, you're all right.' And he replied: 'Well, I haven't got a gimmick and I don't intend to have one.'"

Some of the obstinacy may be his reaction to the stiff-necked piety of his mother's Plymouth Brethren

## A phoenix rises in a blaze of oils

*Christian Tyler meets Reg Gammon, an illustrator and writer who turned to painting in his late sixties*



Lydia van der Meer

family. Gammon says he has never forgotten the shock of being chided by an uncle, "a sanctimonious old rascal," for reading a boys' paper instead of the Bible or religious tract.

He developed his passionate observation of the countryside on bicycle rides with his father, a coal merchant and builder, who owned an Ordinary ("don't call it a Penny-farthing"). The bicycle became the means of his artistic livelihood. I remarked on his powers of observation, which lend great colour also to his writing, and supposed it was his painter's eye.

"Yes, it is. Oh, yes. Half the battle of painting is observation, constant observation. You see those articles I did were weekly articles. Well, you've got to notice enough, you've got to be on the watch for something all the time."

Why did you write comparatively little about yourself in your book and even less about your painting? "Deliberately. There are so many people writing about painting now. Do you think people write and talk too much about it?"

"I do. I do. I always said the only way to learn to paint is to take a handful of brushes and get on with it. Practice is the only way to learn

to paint and I'm learning still."

I pointed to a stack of art books in the corner. "I study the French people a lot, especially Gauguin. I'm not all that keen on Picasso. I think he was a bit of a mountebank. I like the people who broke away from the *When Did You Last See Your Father* sort of stuff."

"I've never been taught to paint at all. Frank Patterson (an uncle by marriage to whom Gammon was apprenticed in 1911) was a very wonderful penman but he couldn't paint. I had nobody to say you should do so-and-so. So really I've dug my own trench all the way. I should have opened out much earlier if I had had some instruction."

In 1918 Sir Muirhead Bone, a client of his father, offered to get him into the Slade. But Gammon was now married, and a father himself. (His wife Betty died in 1982, aged 90. His portraits of her as a pretty young girl and as an old woman hang above the mantel). So he declined.

"It was quite the wisest decision I ever made. If I'd gone to the Slade it wouldn't have done the Slade any good, or me."

I asked him to describe the difference between his two careers as an artist.

"Painting comes out from inside. It's intuitive. This colour is intuitive, there's no question about that. It can't really be taught. If a person hasn't got the feeling to know whether the thing is right or wrong I don't think it can be acquired, to tell you the truth."

Why do you use so much red? "I'm attracted by red. There's red in nearly all my pictures. I use cadmium scarlet, a beautiful red, and glaze it with Indian yellow or Italian pink. It's the colour that sells the pictures - and the content, and of course composition. You've got to learn composition; otherwise you might as well give up."

Most of Gammon's paintings are of peasants in the fields of Ireland, Brittany or Wales, reaping, haymaking, lifting potatoes. I asked whether he chose his subjects as a conscious record.

"I know these things because of my age. I know how people work and largely how people feel. I believe it's essential for an artist to understand what he's producing. Otherwise, he makes mistakes. All these country scenes. I've taken part in them. I've done all these things."

His chief influence, he says, is Gauguin (who was painting in Tahiti when Gammon was born). He also admires Rembrandt and Van Gogh, especially the interiors. "Chagall I'm very fond of. And old... (he searched for the name)... the chap who did the women in the bath... Bonnard."

"That's the one I'm after. My brain doesn't work like it used to in the old days."

You said earlier that you were still learning. Do you know which direction you are going in? "It's very easy when a certain amount of popularity has arrived to repeat yourself, and by repeating yourself you're in great danger of going backward. It's a real dangerous point when everyone's praising you and saying what a wonderful man. I got sick to death of that."

How do you know if you're going backwards?

"I rely on my friends. I say: 'as soon as you see me dropping off or being silly, just say so. Don't be afraid.'"

When he has colour problems, he sits for a long time in front of the easel, or consults Gordon, his 68-year-old son, or Margaret, his daughter-in-law. She has a good eye for colour and does things with dried flowers.

**G**ammon seized his walking stick and got up to make tea. When he came back, I asked him what was good about being so old.

He pondered a while. "If you've been sensible you've earned a certain amount of respect. You get a certain confidence with age, just so long as you keep it under hatches. I'm apt to say things sometimes which are better not said. I've laughed. 'And sometimes these young people call you 'Sir' which is rather nice."

"Of course, mind you, I'm well off now. I'm well looked after. But I think it must be dreadful to grow old and feel that you aren't wanted. And they all love me. I know they do. All the children... especially my two boys and two daughters-in-law."

What are the disadvantages? "His reply came instantly. 'The fact that it takes you about half an hour to dress, for one thing.'"

Do you get bored of life? "No. No, I don't. I get mad sometimes when I can't do what I did and what I want. But you can't be young and old. It's no good for an old person to wish he was young again and for a young person to wish he had the wisdom that comes with age."

Has old age turned out as you expected? "Yes, good. No question about it. Marvellous. Because, I mean the fact that I can - absolutely amazing isn't it, really - that I can paint like that. Look at my hands, look for an old man of my age. Many people lose the use of the hands, don't they?"

If you were asked for advice by a young person, what would you say? Gammon thought for a long time. "I think, possibly, not to follow the crowd. To go your own way. To be swayed by the voice of the crowd. To go your own way and not allow yourself to be influenced by something that you don't agree with. There have always been so many people in the world who try to mould people to their own ideas."

Would you like to see this century out? "Yes, I would. I would really. I'm all right, too. I've got no troublesome complaints, apart from this lameness. I've got a lot to be thankful for. A lot of people younger than me are crocks, aren't they?"

"Take a drop more tea."

## Hold pages 1, 4, 12 and 36!

*Michael Thompson-Noel*



I AM A versatile old stick, if I say so myself. The reason I say so is that I have written stories and feature articles for more parts of the *FT* than any living person - news stories, centre-page features, fifty editorials, stock market commentaries, diary notes, company profiles, commodity-page block-busters, interviews, the columns, book reviews, travel features and sports articles stuffed to the gunwales with imagery and wrenching drama. I have even written *How To Spend It*. If memory serves, the only things I haven't written are a Lex note and a lead story for the Technology page.

Versatility of this magnitude is especially prized by the powers that be in August, when many journalists are on holiday. (Yes, you're right: the other months when versatility is feted are September, October, June, December, April, May, July, November, January, February and March.)

But too much versatility is not a good thing. Before you know where you are, you are running round in circles. On Thursday evening, for example, I was at home in my armchair, recovering from my labours, when I suppose I nodded off. Or fell into a trance.

At any rate, I could swear that I received a call - an imperious one, naturally - from the Travel editor, asking if I would let him have a rush feature on Abu Dhabi to mark the 25th anniversary of the accession to power of His Highness Sheikh Zayed bin Sultan Al Nahyan. "Plenty of colour and dash," said the Travel editor suavely, speaking from a Lear jet over Fiji. "Make us feel we're there. A sense of place and time. Evocative yet gritty. 1,000 words should do it." So I started to write a piece:

"The *Riviera of the Gulf* is how we are known," said Abdulrahman Ali Al-Soudi, deputy general manager of Abu Dhabi National Hotels Company (ADNH) when I met him one evening on the chic cocktail terrace of Abu Dhabi's world-famous Hilton hotel. "But we offer much more than good beaches and hotels. There is a mystique about the desert that many tourists find irresistible."

As we talked, scarlet ribbons swirled amongst the greenery of this desert playground, and the rays of the setting sun illuminated the distant figures of tribespeople hurrying through the dunes towards their simple supper.

I was feeling my Travel feature down the line to the master computer in Southwark when the deputy assistant Commodities editor phoned. "Hi there, Mike," said this informal person. "Platinum's down another \$23.50 and gold's following it. Could you produce 700 for the second edition? It could be Mega-straights, old chap. I'll put you straight on to copy."

Mystification gripped world markets yesterday as platinum shot through numerous support floors to test an 8½-year low - dragging the yellow metal with it. Bismuth, cad-

mium and vanadium weren't looking happy, either. "You can say what you like about manganese-based catalytic converters," opined a *top London analyst*, "but it is becoming ridiculous. The market is extemporising - living on its nerves."

While I was dictating my platinum story to the copy-takers, the assistant to the under-deputy News assistant editor broke in brusquely to ask whether I could let them have a word on the discovery that Lord King, chairman of British Airways, was threatening to "put business class passengers who drop crumbs on the floor. Without pausing for thought, I started to dictate a fresh story.

The long shadows of "outing" fell across aviation circles last night when Lord King, no stranger to controversy, was in on *Channel 4* and announced he was ready to name publicly what he called the enemies of civilised business-class travel, those who drop crumbs. Looking fit and tanned, his eyes glinting ferociously, Lord King added: "I have spent several months developing a superior business-class service for discerning BA customers. But many regular fliers aren't willing to play ball. Oh dear me no..."

Once I had finished my crumbs story - 324 words exactly, with a sea-sawy lead paragraph - I completed my platinum piece. Next thing I knew, the deputy Sports editor was on the line. The *FT's* Sports editor is an immensely grand personage seldom seen in the office, but even the deputy's rattled.

"Hail Michael!" said this person. "Hail Overmensch! Mirabile dictu, but there's a hole in the tape. Rather a large one, crossed wires, naturally. The left hand and the right hand. Couldn't see it for looking. Yes, we've used a large picture with Teresa's cricket. But we've still got a hole. Is there any chance of your bouncing across one of your exquisitely-honed, racing pieces - *multum in parvo*, that sort of thing? Oh, super. I'll put you on to copy. Audientes fortuna laus, as John Major always says. Arriverci!"

I called for a glass of water, washed my thoughts, and started anew with the copy-takers:

The row that has whirled through British racing following the death of a 15-year-old colt, *Golden Silence*, this year's Epsom Derby winner, is being rushed off to stud as the end of the season intensified this week when *Quest for Fame* sparked in a 7½-mile gallop as a dress rehearsal for his big race re-appearance next Saturday. *Quest for Fame* is last year's Epsom Derby winner, and he hasn't been sent to stud prematurely. "The Generous affair raises numerous key questions," said a stable source last night. "First..."

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## Dark days at the bottom of Swildon's Hole

*Private Passions: John Willman explains how he took up a troglodyte lifestyle*

**I WAS FIRST** lured into caving while teaching geography to 14-year-old schoolchildren in west London. My head of department - a spry Yorkshirewoman in her 60s - led a field trip to Devon, the high point of which was a visit to a small cave near Chudleigh to look at bats and fossils. The cave was entered in an upright position through a padlocked door and could be inspected by mains electric light; foolishly I said that this seemed fun.

Three weeks later I was squeezing head first through a hole in the floor of a concrete blockhouse into which a stream disappeared. This was the entrance to one of the major cave systems of the Mendips hills in Somerset. Swildon's Hole near the village of Priddy. Clad in a muddy boiler suit and wellington boots, I had only the naked flame from an acetylene lamp attached to a miner's helmet to show me the way. The humiliation of being unable to keep up with someone old enough to be my grandmother kept me following her boiler-suited behind into the underworld.

After wriggling through gaps in a pile of unstable-looking boulders we chimneyed down a narrow rift called Jacob's Ladder by bracing ourselves against the two sides. At the bottom was a passage leading to a small chamber with a few broken stalagmites and stalactites: the commuter traffic to the utmost

reaches of the cave had long ago bulldozed these delicate features. At this stage I was ready to eat my Kewell mint cake and head for home, but the trip was not yet over. We dropped through a hole in the floor to rejoin the stream, wading along the narrow limestone passages. The stream passed through a small hole in the wall to a 6 ft drop: safe descent meant sitting on the rim of the hole, named the "lava-tower pan".

In fact our journey to the centre of the earth ended soon afterwards, at a 20 ft waterfall for which we had brought no ladders. Pausing only for flash photographs to provide evidence of our endeavours, we made our way back up the stream passage to the fresh air. This turned out to be less than fresh: after breathing the scrubbed atmosphere of a cave, the English countryside turns out to have a sweet foetid smell.

Sufficiently bitten by the caving bug, I invested in some equipment: my own helmet, and an old miner's lamp and rechargeable Oldham's battery. I joined a local caving club, which offered youth hostel-type



able charge. Equipment such as ladders and ropes could be borrowed and membership gave access to some restricted caves.

Subsequent trips to Swildon's Hole went much further along the subterranean passage of the stream, which eventually reappears two miles away at Wookey Hole, 500 ft below the entrance.

A through connection has yet to be found, the stream can be followed for over a mile underground through such scenic parts as Blue Pencil Passage (so-called because of the expletive unwise descent produced) and the Black Hole. Once a wet suit had been acquired, further exploration was possible beyond a

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